

**WESTERN CAPE
SECTOR EFFICACY REVIEW**

2003

Working Paper

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INTRODUCTION

Section 27(4) of the Public Finance Management Act (1999) requires that when the annual budget is tabled in the National Assembly or provincial legislature, the Accounting Officer of the Department concerned must submit measurable objectives for each main division within that particular vote. This implies that outputs and outcomes must be defined and they must be published. It also calls for the introduction of performance-based budgeting. In the performance-based budgeting environment the budget of a particular department is expressed in terms of activities and outputs. These outputs must relate directly to the objectives of each of the programmes and those of the department as a whole. In return, objectives and outputs of the whole of the department must also contribute directly to (or be aligned with) the achievement of the priorities of government as a whole.

Measurable objectives per department were introduced with the Budget 2001 and have ever since been refined regularly. Measurable objectives are also included in the Departmental Strategic Plans. Strategic plans spells out the objectives that a department wishes to accomplish with its budget over the MTEF period and should be linked to services delivered by provincial departments. This means that in a sense service performance agreements of senior management should be aligned with measurable objectives in a departments' Strategic Plan in order to asses the level of qualitative delivery of services in relation to performance indicators.

The purpose of this review is to assess sector specific outputs and the relation thereof to the outcomes of the province and the implications for the MTEF budget 2004/05 to 2006/07.

The Minister of Finance and Economic Development in his 2003 Budget Speech and again in his 2003 Vote 3: Provincial Treasury Budget speech, announced that "the Provincial Treasury (in collaboration with departments) needs to determine the outputs necessary by departments and associated public entities to achieve the desired outcomes and thus closing the gap and in time assess attainment of these outputs (effectiveness analysis)". The Provincial Treasury, in association with researchers, compiled this Sector Efficacy Review (a working paper) in order to commence this process.

Heads of Departments were informed of the appointment of researchers and of the process of tackling this challenging task at a Provincial Top Management meeting on 11 June 2003. For this year the following departments' output-outcome situation have been analysed:

- The **social sector**, which includes Education (Chapter 2), Health (Chapter 3), Social Service and Poverty Alleviation (Chapter 4), and
- The **economic sector**, which include Agriculture (Chapter 5), Housing (Chapter 6) and Infrastructure within the Department of Transport and Public Works which have

been assessed separately as the Public Works Branch (Chapter 7) and the Transport Branch (Chapter 8).

As already indicated, researchers have been appointed from local provincial academic institutions to assist the provincial treasury in the assessment of department's performance. The idea of using researchers to do these assessments is two fold. Firstly, to build capacity as this is a first attempt to assess performance with the ultimate goal (medium term) to link allocations with outcome related spin offs. Secondly, the assessment gives an independent view of departments' performance. The terms of reference included the following:

- Identification of the **desired outcomes** for the province with relation to a specific department as defined by provincial and national policy documents. Outcomes for the province should be defined as the socio-economic outcomes for the province, that is vested in the *iKapa elihlumayo* concept and focuses on (i) growth, (ii) employment, (iii) reduction of inequality and (iv) a sustainable safety net. Naturally there will be "indirect outcomes" which will lead to these core outcomes and these are also highlighted in this review.
- Identification of the **core outputs** with relation to a specific department and the relevant indicators what will allow measurement in the department. Core outputs were identified by using departmental strategic plans, budget statements, departmental annual reports and other sources, including in certain cases interviews with the key personnel within the department. This does not mean that other outputs are of less importance but it is necessary to focus, for the purpose of this review, on the outputs that will have the greater effect on the provinces socio-economic (or outcomes) situation. Of particular importance is the contribution by departments towards *iKapa elihlumayo*, implying active application of departmental sources towards economic growth and development in the province and even beyond.
- Analysing the degree of correlation between the **performance** of the department against its core outputs and the desired outcomes.
- Identify the remaining **possible** quantitative or qualitative **gaps** between the core outputs and the realization of desired outcomes in the department. To do a proper gap analyses will take time. As a starting point, the purpose of this review will be to determine possible gaps. This gap-analysis-process will be evolving over the next few years.
- The **gaps need to be filled** through re-prioritisation, possible additional funding or other methodologies such as PPPs.

The papers delivered by the researchers are included per chapter in this review. Each chapter commences with the contact details of the researcher(s) followed by an executive summary, an introduction and discussion and concludes with a conclusion and/or recommendation. It should be emphasised that the information vested within the chapters, especially the recommendations and/or conclusions, are that of the applicable individual researcher(s) and not necessarily the views of the provincial treasury.

Also included in this efficacy review is an initial study on the degree of integration of budget and planning results of municipalities (on district and metro basis) and provincial government with the goal to ensure the optimisation of the desired outcomes for the Province as a whole. The researchers' paper is included as Chapter 9 and the terms of reference for this study was as follows:

- Describe the desired socio economic outcomes for the Province, taking in consideration the Constitution, local economic development (LED) initiatives and the provincial growth and development (iKapa elihlumayo) drive;
- A qualitative analysis of municipal budgets and IDPs per municipality and aggregated to district and metro level;
- A quantitative, or input-based, analysis of the consolidated expenditure for 2003/04 budget for the provincial government and municipalities aggregated to district and metro level, and
- Taking into consideration the result from the analysis, provide possible options/plan of action that will lead towards better integration of planning and budget processes between provincial government and municipalities in order to reach uniform desired outcomes.

The efficacy review should be seen as a working paper that will have a full effect over a medium term period. The review will be taken forward in the next budget cycle in cooperation with departments and will be structured in a cluster perspective. Other departments will be taken on board as the capacity within the provincial treasury and the academic institutions is built.

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Glossary/Abbreviations

EMDC	Educational Management and Development Centres
RSA	Republic of South Africa
SAIRR	South African Institute of Race Relations
WCED	Western Cape Education Department
WCPG	Western Cape Provincial Government
HG	Higher Grade

Executive Summary

The socio-economic conditions of the Western Cape as well as the performance of the Education Department in the province compare favourably with the rest of South Africa. This, however, does not mean that there is no room for improvement in the province. Therefore the objective of the Western Cape Provincial Government is to increase fiscal discipline in all 13 departments. The Education Department is one of these departments where efficiency must be increased to achieve the objective of *iKapa elihlumayo* to eradicate poverty through education.

In this chapter the core programmes of the Western Cape Education Department are identified that could probably contribute most towards reaching the desired macroeconomic outcomes in the Western Cape. The links between educational outputs and economic outcomes are also highlighted. It is pointed out that it may be the best policy to concentrate on only a few quantifiable outputs rather than trying to simultaneously try to maximise too many outputs. The importance of quality was highlighted as being the most important issue. It is also emphasised that while trying to improve the quantity of outputs, high academic standards must be maintained at all costs.

Introduction

“The vision of the Western Cape Education Department (WCED) is to provide effective education for all” (Western Cape Provincial Government [WCPG] 2002b: 42). This is in line with the objectives of *iKapa elihlumayo* (growing and developing the Cape) to ensure greater fiscal discipline in all 13 departments of the province. In order to realise this vision, public services must be provided more efficiently and effectively so that more outputs are produced with fewer inputs (WCPG 2003b: 9-10). It is of the utmost importance to focus on quantifiable outcomes to ensure the upliftment of communities by improving their socio-economic conditions. The WCED’s focus can therefore not fall on educational outputs alone, but should also emphasize the importance of macroeconomic outcomes. An important link also exists between reaching educational outputs and the resulting achievement of economic outcomes.

In terms of socio-economic indicators, the Western Cape compares favourably with the rest of South Africa. Although the poverty rate of 26% in the Western Cape urban areas is almost as high as the 29.4% for all urban areas in South Africa (WCPG 2003c: 11), the poverty rate of 48% in rural areas is much lower than the rural average rate of 73% for South Africa. Although poverty is much lower than in the rest of South Africa, the incidence of poverty is still much too high in the Western Cape and must be improved. The region is also characterised by inequalities in income and wealth distribution as a Gini-coefficient of 0.602 in 1995 indicates (Oosthuizen and Nieuwoudt 2003). This high coefficient means that, as is the case in the rest of South Africa, a minority earns the majority of the income. According to the labour force survey in September 2001 unemployment for males in the Western Cape (using the official definition) was 21.4% and for females 31.0% (WCPG 2003c: 9). This is again better than the South African average figure, but still reason enough to seriously take action toward improving the situation.

The human capital model maintains that as people receive more education they become more productive and can more easily adapt to changing circumstances and technology than those workers that did not receive any further education (see Barker 1995: 140-145 for example). As workers become more productive (e.g. by requiring additional skills) the market will be willing to pay them more. In general this means that workers with more education will receive a higher remuneration package than those with less education. If the Western Province strives towards a more equal distribution of income the educational attainment by the people living in the province should be more equal too. Increasing the literacy and numeracy levels of the population and thereby ensuring that socio-economic outcomes are reached, can assist in addressing this unsatisfactory situation.

How can this be achieved? This report focuses on certain key issues to ensure that the core macroeconomic outcomes of the Western Cape as well as the outputs of the Department of Education are achieved.

The quantifying of outputs of the Department of Education is not an easy task since output of the education system is difficult to measure. While certain criteria are proposed in this report to measure the performance of the Department we know that there are many outputs that cannot be measured and that we have to stick to those outputs that can be measured. It must be conceded that these are normally cognitive outputs and in

the process other important non-cognitive outputs are ignored because it cannot be quantified.

A number of quantifiable outputs with relation to the Education Department have been identified. This does not mean that other outputs are of less importance but it is the view of the authors that these measurable outputs will have the greater effect on the province's current socio-economic situation. (The realisation of these outputs will further mean that most of the WCED's other outputs would indeed have been met in the process.) It could also serve as a yardstick by which the Department can measure its own performance, and the improvement therein, in reaching the excellence in providing education towards which they strive.

Historically, only two measures were available at school level, viz. pass or promotion rates and matriculation results (Van der Berg, Wood and le Roux 2002: 290-291). The cognitive output most often used is the results in the Senior Certificate examination. The Western Cape has performed very well in this examination if their results are compared with the rest of South Africa. This does however not mean that efficiency has been reached. One would like to not only measure educational attainment but also educational performance. In order to do that, we suggest for instance that numeracy and literacy test scores are included as output measures.

Recommendations

We have identified the core WCED programmes that could probably contribute most towards reaching the desired macroeconomic outcomes in the Western Cape. In each case we have made brief suggestions (comments) in the *desired output* column that would indicate core areas where the WCED could refine (and narrow down) their output measures.

Public Ordinary School Education (Programme 2)

Since the main aim of the Education Department is to ensure that learners acquire the knowledge, skills and values they need to lead fulfilling lives and to contribute to the development of the province and the country (WCED 2003 Part 2: 1) it is not surprising that 83% of budget (WCPG 2003a: 161) or 80% of actual expenditure (WCED 2003) accrues to the *public ordinary school education programme* (Programme 2). Most of the suggested outputs are also focused on this programme in line with the department's view to achieve the objective of *iKapa elihlumayo* to eradicate poverty through education (WCPG 2003a).

Programme 2: Public Ordinary School Education				
	Departmental Output		Socio-economic Outcome	
	Actual	Desired	Actual	Desired
High Literacy and Numeracy standards¹				
- International comparable test results: Grade 3. ²	Stated as "low" ³ (WCED 2003: 9)	Increase score by 5% per year.	<ul style="list-style-type: none"> • Low-skilled labour force • Low earning levels 	<ul style="list-style-type: none"> → Increase literacy and numeracy of population → Potentially higher skilled labour force and more entrepreneurial skills⁵
- International comparable test results: Grade 7 and Grade 9. ⁴	Low	Improve numeracy and literacy <ul style="list-style-type: none"> • Comparable to international benchmark • Per individual learner 	<ul style="list-style-type: none"> • Poverty • Lack of entrepreneurial skills • Low economic growth 	<ul style="list-style-type: none"> → Productivity increase → Economic growth → Higher earnings → Decline in poverty

1. This output supports, among others, the WCED Literacy Strategy (WCED 2003: 3).
2. South African pupils (including the Western Cape pupils) fare far worse than their counterparts in most middle-income or even low-income countries in international comparisons. (See e.g. WCPG 2003c: 17-18 and Van der Berg in WCPG 2002b: 51-52.)
3. Schools performing below the provincial average to receive EMDC interventions, guidance and support (WCED 2003: 8-9).
4. This output relates to PM 2.2.H.a (WCED 2002c: 45).
5. Being able to read, write and comfortably use numbers makes it easier to develop entrepreneurial skills.

Although it is important to achieve a high pass rate in the grade 12 examinations (PM 2.2.H.b in WCED 2002c: 45), standards are to be maintained and not adjusted (e.g. by manipulating marks) in an effort to reach a specific rate. If the relevant academic standards need to be maintained, the output measures also need to focus on the quality of education and not merely on numbers. Actually all outputs measuring educational attainment are secondary to **quality outputs** – there is e.g. little sense in having a pass rate of 95% but only 5% of those progress towards a tertiary education.

“The Western Cape pass rate (82.7%) and exemption rate (25.0%) in 2001 is well above the national average (61.7% and 15.1% respectively).” (WCPG 2002b: 51) When this performance is linked with the number of passes with Mathematics (a quality measure) however – the picture becomes less rosy. For example, in 2002 only 17% of learners that passed mathematics passed it on higher grade. According to figures calculated in 1997 and 1999, it was reported in the Expenditure Review 2003–2006 (Table 6, p48) that only 63.59% of the learners that entered Grade 1 passed Grade 7 and only 25.5% passed Grade 12. “Of the total number of learners that entered secondary schools, 50.02% reached grade 12 and only 40.10% of the learners that entered grade 8 eventually passed the matriculation examinations” (op cit). An incomplete secondary education reduces a person’s earnings capacity dramatically. There is a strong positive correlation between matriculation and additional years of education and earnings (Van der Berg 2001). Educational attainment measures remain therefore useful as output measures and should not be ignored.

Although the WCED has come a long way in improving the participating rate, pass through rates, progression rates and consequently the Grade 12 pass rate (RSA 2003: 68-69), the current situation in the Western Cape does *not* provide equal access for all pupils to a minimum standard of education and as a result future opportunities (see Van der Berg in WCPG 2002b: 52-53 and WCPG 2003c: 16).

The aim with quality outputs is to ensure the delivery of successful Grade 12 learners that will be able to enrol at any tertiary institution, internationally, of their choice. Three core outputs are relevant here: University-entrance passes, Distinctions obtained and Mathematics and Physical Science passes.

Programme 2: Public Ordinary School Education				
	Departmental Outputs		Socio-economic Outcomes	
	Actual	Desired	Actual	Desired
Quality of the Grade 12 pass rate				
- % of university-entrance passes	26.5% ¹	35% (in 5 year's time)	<ul style="list-style-type: none"> • Successful Grade 12 learners with no (or limited) access to tertiary education⁵ due to absence of Mathematics and/or no university-entrance passes. • Inequality of opportunities. • High Gini coefficient⁶. 	<ul style="list-style-type: none"> → Greater access to tertiary education and therefore better future opportunities → Higher skilled labour force → Economic growth increases and unemployment decreases → Higher earnings → Decline in poverty → Potentially more equality (lower Gini coefficients). (Opportunities opened for access to medicine, natural sciences, engineering, economic and business sciences, agriculture and forestry, etc.) ⁷
- Number of subject distinctions	*	Increase by 10% (over 5 years)		
<ul style="list-style-type: none"> - Increase number of learners passing mathematics² and physical science - Higher percentage of passes with HG³ mathematics and natural science 	*	<ul style="list-style-type: none"> • 10% of maths HG learners from poorest quintiles schools (intermediate goal) • Math HG learners in proportion to racial composition (long term goal) • Differentiate between schools⁴ 		

1. Endorsement as % of senior certificate passes – Table 4.17 in RSA 2003: 70.
2. This outcome relates to the WCED's Mathematics, Science and Technology Strategy (WCED 2003: 3).
3. See Table 4.18 & 4.19 for senior certificate mathematics and physical science results (RSA 2003: 71). Only a small percentage of learners pass mathematics and physical science HG (e.g. 17% of learners who wrote mathematics in 2002 passed on HG).
4. In 1997 only 20 of the 2000 HG mathematics passes were from mainly black schools, almost no learners passed HG maths in the schools with school fees below R200 and only a few in the schools with a school fee of R1 000 (van der Berg in WCPG 2002b: 53). The suggestion is to set differentiated outputs (with incentives) for each group of schools using the National Norms and Standards for School Funding categories of schools (RSA 2003: 65) as a step in attaining equity, i.e. ensuring equal opportunities for all learners in the Western Cape.
5. The percentage of the population with tertiary schooling in the Western Cape (5.5%) compares favourably to the South African average (2.8%) but poorly to OECD as well as developing countries with figures of up to 49% (Canada) and 16% (Argentina) respectively (WCPG 2003c: 16).
6. The estimated measure of inequality in the Western Province was 0,602 for 1995 (WCPG 2003c: 10).
7. Van Walbeek (2003) presents figures that clearly show the positive correlation between mathematics and university performance at the University of Cape Town.

To ensure equity in the Western Cape educational system educational attainment outputs, e.g. pass through rates, should be improved specifically in the poorest school quintiles (see RSA 2003: 65 for a brief discussion of resource targeting based on conditions of school and poverty of communities) and linked to the quality of passes, e.g. number of learners passing mathematics HG, with appropriate incentives to encourage the attainment of these outputs.

Early Child and Adult Education (Programme 6)

Although only 1.52% of actual expenditure goes towards the Early Child and Adult Education programme (WCED 2003: 3) both issues are of importance in reaching the socio-economic outcomes of *iKapa elihlumayo*. The positive effects on the school system when learners are delivered school ready can hardly be quantified. Because not many short run benefits are to be reaped by spending more on early child education, it remains primarily a long term investment, but of utmost importance for the successful attainment of the Western Cape's outcomes.

Programme 6: Early Child and Adult Education					
		Departmental Outputs		Socio-economic Outcomes	
		Actual	Desired	Actual	Desired
Early Childhood Education					
% of learners in Grade 1 who have received some formal pre-Grade 1 education	49%	100%	Unprepared entrants fail Grade 1 and erodes the basis for reaching programme 2's outcomes	<ul style="list-style-type: none"> → More school ready learners → Higher progression and pass through rates → Forms basis for better outputs (and reaching outcomes) in programme 2 	
Adult Education					
Decrease % of adult population with maximum schooling of Grade 8 (Std 6)	*	Decrease by 1% per year	Illiterate adults contribute towards lack of skilled labour, unemployment, low levels of income and poverty	<ul style="list-style-type: none"> → Literacy levels of adult population increases → Unemployment decreases → Higher income → Lower poverty and inequality 	

Further Education and Training Colleges (Programme 5)

In order to reach the outcomes in Programme 2, there should be a sufficient number of teachers with skills in e.g. mathematics, physical science and English so that teacher shortages do not impact negatively on the outputs of secondary public education. Enough, well-trained educators should lead to more effective learning taking place in the classrooms. The importance of this fact was emphasised at the Education 2020 Vision Conference of the Western Cape Education Department at Newlands on 2 October 2003 (Van Dyk 2003: 4). Mr Andre Gaum, the Provincial Minister of Education, even appointed a commission to investigate the reasons why so few people want to become teachers.

Ensure that all teachers are properly trained in the subjects that they are teaching at schools. They must also possess the necessary presentation skills to present subjects in a manner that learners will enjoy and can relate to. In the former Bophuthaswana they focussed more on providing teachers with the necessary skills than with mere academic qualifications. While only 32% of teachers in this former homeland were properly qualified (grade 12 plus 3 years tertiary education) in 1992, they achieved a grade 12 pass rate of 73% compared to a national average of 45% in all the former black education departments (SAIRR 1994: 716). The development of the required skills is thus very important.

Conclusion

Whatever outputs the Education Department decides to focus on, it must be made clear that **quality** must be maintained at all costs. As was stated earlier in the document successful grade 12 learners must be able to enrol at any tertiary institution (from an international perspective). The scope of job opportunities available to learners must be broadened and that requires that more candidates need to take mathematics and natural sciences as subjects at school level. In the current global economy learners must be delivered with skills and knowledge to be able to compete internationally.

It is suggested that outcomes be narrowed down to only a few measurable goals that can be measured frequently to ensure continued improvement. In this process it would probably be necessary to set discriminatory goals between schools due to the difference in (own) resources and limitations in capacity. These goals can be linked to the Norms and Standards classification and it is suggested that good performances of schools in the poorer communities are rewarded on a wider scale when those goals are met. On the other hand, one should be cautious to interfere unnecessarily with schools that are performing well.

Continuous improvement in a core number of educational attainment as well as educational performance outputs should in the longer term ensure that the department will ultimately achieve their objective of *iKapa elihlumayo* to eradicate poverty through education.

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Glossary/Abbreviations

ALOS	Average length of stay. This shows the average number of days a typical patient stays in hospital.
Beds	Average number of useable beds (always less or equal to authorised beds for a hospital concerned)
BOR	Average bed occupancy rate. This shows the proportion of beds occupied at a specific point in time.
DPT3	Diphtheria, polio and tetanus
EMS	Emergency medical services
GDP	Gross Domestic Product
Long run average cost curve	The curve showing the relationship between total cost and total output of an institution over a long term.
MTCT	Mother to Child Transmission
OECD	Organisation for Economic Co-operation and Development
OPD	Out patient department
OPD headcount	Number of people who visit the outpatient department per head
OPD visits	Number of visits to the outpatient department
PDE	Patient day equivalent. Arrived at by summing average daily inpatients and one third of outpatients. This mathematically operation suggests that three outpatients and equivalent to one inpatient per day.
PHC	Primary Health Care
Returns to scale	The measure of the output change as a result of an increment in each unit of the input. Increasing returns to scale is when output increases faster than previous output increases as a result of the unit increment in inputs. Decreasing returns to scale has a corresponding meaning. Constant returns to scale is when the output increases by a constant amount in response to a unit increase in inputs.
Separations/day	The total number of people who leave the hospitals as a result of death, discharges and transfers to other hospitals
TE	Technical Efficiency
VCT	Voluntary Counselling and Testing
Visits per patient	the quotient of number of visits to OPD and OPD headcounts. It shows how many times each person returns to the hospital with either the same sickness or for a different sickness

Executive Summary

The link between departmental outputs with those of other departments both within the same sphere of government and other spheres of government is of utmost importance. This requires that departments coordinate their planning activities and consult each other on major initiatives their undertaking in order to identify areas of common purpose and synergies. To this end, the Western Cape Provincial government has coined the concept of *iKapa elihlumayo* which means ‘the growing Cape’ concept. Under this strategy departments are required to work together in the way described above. In addition to that they are all expected to contribute to common objectives that are identified by the provincial government. Four areas have been identified and are as follows:

- Reducing poverty levels,
- Promoting economic growth,
- Promoting equity (access to services), and
- Employment creation.

In addition to contributing to these broad socio-economic outcomes of the province, departments are also expected to contribute to the provincial ten point plan in as far as the nature of their service contributes to one or more of these points.

This chapter has identified core outputs for the Department of Health and compared the 2002 actual performance with the plans for that year. For each of the core outputs the chapter identifies desired outputs (or level of performance) that would make a noticeable impact on the outcomes of the province. Finally, for each core desired outcome, an explanation is provided of how the outcome contributes to the four objectives of *iKapa elihlumayo* and the provincial ten points (priorities).

It is, however, found that most of the information reported in the 2002 budget statements does not contain details about core outputs of the department. In response to this, the chapter defines outputs considered to be core for this department that would ideally have to be included in the budget statement documents. It is also suggested that departments be asked to provide information on a ‘cross walk’ between departmental strategic objectives and the provincial priorities as well as the four objectives of *iKapa elihlumayo*. This would provide adequate information about the nature of the link between the department’s mandate and the overall priorities of the provincial government. It is also pointed out that major departmental initiative that dovetail initiatives in other departments within the same sphere of government or in other spheres of government should be identified and reported in the budget statements. This would give a comprehensive view of how much money government is spending in particular areas of service delivery.

Regarding budgetary allocations and reallocations, it is pointed out that some targets that were planned for the 2002 have been exceeded while others were not achieved. However, it is clear that for most of these targets it is necessary that government achieved 100% coverage of the people with target conditions. For instance, the coverage for immunisation and MTCT roll-out should be 100% of qualifying cases. The issue that becomes prominent in this case is that of budgetary allocations. To achieve a target of 100% in each of these areas requires that the department be allocated more funds. However, the absence of sufficient and accurate data on unit cost of immunisation and

MTCT rollout inhibit the quantification of cost implications of achieving 100% coverage in this area.

Efficiency analysis results reveal that District and Provincial Aided Hospitals are technically efficient in relation to Academic, Regional and Other Hospitals. The two categories of hospitals that are efficient have also been shown to be operating at very low bed occupancy rate, that is, levels below 80%, which are generally considered to be sub-optimal for any hospital. This suggests that many people are treated at inappropriate levels of health service delivery such as Regional and Academic Hospitals. In general, it is more expensive to provide health services at tertiary hospitals because of the fact that they are highly specialised.

In particular, the two categories of hospitals that are efficient are found to be operating at a downsloping range of the longrun average cost curve. This means that they are experiencing increasing returns to scale and therefore they can take up more health contacts at lower cost than any other category of hospitals in the province. The Health Care 2010 Plan of the provincial government of the Western Cape aims to do exactly this. Its main aim is to reallocate health contacts from Academic and Regional Hospitals to District Hospitals and PHC level. The findings in this chapter confirm that it is feasible to undertake such a reallocation and will contribute to the reduction of the total costs of providing health services in the province.

The results of economic efficiency analysis, however, reveal that Regional Hospitals are experiencing decreasing returns to scale. This means that they are operating at an upward sloping range of the longrun average cost curve. It implies that they cannot take up more health contacts without experiencing a rapid increase in the cost of delivering health services. An analysis of where health contacts are currently happening reveals that Regional Hospitals are handling approximately 7% of total health contacts. The Health Care 2010 Plan requires that they handle about 8% of total health contacts. Because of the capacity constraints and the nature of the production function at this level of health service delivery, it is concluded in this chapter that Regional Hospitals cannot cope with an increase in health contacts from the current 7% to 8% of total health contacts. In fact the economic efficiency analysis results suggest that Regional Hospitals should handle less than 7% of total health care contacts for them to be technically efficient. It is thus advisable that the Department of Health revises this health contact target downward from the current 7% level.

It is also recommended that the downward revision of the Regional Hospitals target should be accompanied by an increase in health contacts at the District Hospital level where there is still capacity to handle health contacts at lower cost than other categories of hospitals. Again it is recommended that health contacts that happen at Academic Hospital level should be adjusted upward from the current 2% of total health contacts. Since the actual proportion of health contacts at Academic Hospital level is currently at a 10% level, it is also recommended that most of these health contacts be channelled to the District Hospitals that still have capacity to handle such contacts at lower cost than any other category of hospitals in the province.

The recommendations above stress the reduction in the actual health contacts at both Academic and Regional Hospitals and an increase in health contacts at both District and PHC level in line with the Health Care 2010 plan. However, the extent to which this

reallocation of health contacts across categories of hospitals happens depends on the willingness of the health authorities to implement policies that will ensure that it happens. It also depends on their willingness to undertake the necessary reallocation of inputs such as doctors and nurses, and indeed budgetary allocations, from both Regional and Academic Hospitals to the District Hospitals and PHC level.

To this end, the results of economic efficiency analysis reveal that Academic Hospitals could reduce all their inputs by 17% and still produce the current level of outputs. This translates to a saving of about R15 780 172 that could be reallocated to District Hospitals. By the same token Regional Hospitals and Other Hospitals need to reduce their inputs by 11% and 15%, respectively, in order to be as efficient as District and Provincial Aided Hospitals. This translates to savings of R39 771 683 for Regional Hospitals and about R33 440 154 for Other Hospitals. These amounts are mainly in terms of personnel costs and could be reallocated to other District Hospitals that are expected to handle more health contacts in relation to the other categories of hospitals.

In addition to the above about 653 doctors in Academic Hospitals, 142 doctors in Regional Hospitals and 26 doctors in Other Hospitals are potentially available for reassignment to the District Hospitals. The same results of economic efficiency analysis also reveal that about 1 418 other staff members in Academic Hospitals, 121 other staff members in Regional Hospitals and 176 other staff members in Other hospitals are potentially available for reassignment to District Hospitals. These numbers translate into additional savings for the categories of hospitals under consideration and could be reallocated to District Hospitals that are expected to handle large quantities of client contacts. It is, however, important to note that a large number of doctors in academic hospitals might be undertaking academic health research in which case they might not be available for reassignment to District Hospital level.

Such rearrangement and reallocation of both health service inputs (personnel) and health contacts from Academic and Regional Hospitals to District hospitals could also bring massive savings in terms of cost reductions in these hospitals over and above personnel costs reductions referred to above. Cost data for hospitals reveal that it costs R1 082 per PDE in an Academic Hospitals and R482 in Regional Hospitals in relation to R379 in a District Hospital. In fact, the economic efficiency analysis conducted in this chapter reveal that there is scope to reduce the inpatient days (contacts) by over 70 000 in academic hospitals to make them efficient. This is equivalent to over 15 000 inpatients per year in Academic Hospitals that could be redirected to District Hospitals.

Introduction

Performance budgeting and the PFMA

S. 27(4) of the Public Finance Management Act (1999) requires that when the annual budget is tabled in the National Assembly or provincial legislature, the Accounting Officer of the Department concerned submit measurable objectives for each main division within that particular vote. This implies that outputs and outcomes must be defined and they must be published. It also calls for the introduction of performance-based budgeting. In the performance-based budgeting environment the budget of a particular department is expressed in terms of activities and outputs. These outputs must relate directly to the objectives of each of the programmes and those of the department as a whole. In return, objectives and outputs of the whole department must also contribute directly to (or be aligned with) the achievement of the priorities of government as a whole.

The Minister of Health recognises the importance of this alignment between priorities and objectives across departments and spheres of government. The Department of Health has realigned its budget to meet the allocations within the MTEF and recognises the requirements of the PFMA and have attempted to adhere to it. It is important to note that the quality and comprehensiveness of the department's outputs and performance measures determines the quality of the information that is reported in its periodical performance reports. The relevance of such outputs and measures to the overall objectives of the department and their alignment with priorities of government ensures that what is measured is valid and reflects the department's contribution to overall service delivery effectiveness.

South Africa is now moving towards performance-based budgets in which information on outputs and measures will be reflected in budgetary statements. This ensures that the legislatures know what they are appropriating money for, and in situations where performance targets or standards are set; they also know the level of performance that each department is aiming at achieving. However, the fact that South Africa has only started introducing these reforms recently creates challenges both in terms of the quality and relevance of measures that are developed. Although international experiences suggest that the quality of measures tends to improve over time, it is important that they be assessed from time to time to identify areas that need to be addressed and to formulate strategies and initiatives aimed at improving this information.

Contents of this chapter

The chapter assesses the information contained in the department's 2002 – 2005 strategic plan and budget statement for 2003/04 to establish the degree of alignment between departmental priorities and the provincial 10-point plan. It also assesses the alignment of departmental operations and performance in relation to the Health Care 2010 Plan. It assesses the following areas of importance:

- The department's output and performance measure information as documented in its budgetary documents and other relevant documents based on principles identified from international best practices;
- The alignment between departmental outcomes and priorities with those of the province as a whole;

- Departmental actual performance based on published information in annual reports and compare it with the desired nature and extent of information as outlined in the strategic plan and other policy documents;
- The alignment between departmental performance and operations with the objectives of Health Care 2010.
- Assessment of how the department contributes to the principles of *iKapa elihlumayo*.

Finally, this chapter identifies areas where there are gaps and where improvements could be made depending on the quality of information obtained in the analysis of the previous sections regarding the nature and extent of performance information to be produced by the department for the 2004/05 through 2006/07 MTEF cycle.

Review of outcomes and priorities

Western Cape Provincial Government Priorities

The Provincial Cabinet compiled ten strategic objectives, listed below, and departments attempted to align their own departmental measurable objectives to attain these ultimate outcomes.

- Establish the Western Cape government as caring and representative, providing quality, equitable and accessible services to all its citizens.
- Orientate government towards the poor by ensuring basic services, an indigent policy, a safety net and caring budget.
- To fight HIV/Aids and other diseases in a co-ordinated and comprehensive manner which includes the provision of anti-retroviral drugs, lifestyle intervention and sustained action against poverty.
- To deracialise and integrate all state financed institutions in a responsible manner to maintain stability and good order.
- To develop the capacity of local government to ensure the rapid and comprehensive implementation of Integrated Development Programmes (IDP's) and free basic services.
- To stimulate economic growth – both in the traditional and emerging sectors – with appropriate infrastructural development, and to the benefit of all through, amongst others, procurement reform.
- To focus on agriculture and tourism towards rural development so that all inhabitants can live harmoniously and in safety.
- To promote policies which will maintain a healthy balance between protecting the environment and developing the economy.
- To contain and eradicate crime through good intergovernmental co-operation so that the Western Cape can be a safe and secure home, especially for its women and children.
- To nurture our diversity and promote our various cultures, religions and languages to become the source of our strength and unity.

From these strategic objectives the Premier identified and announced, to the Provincial Parliament five priorities that are imperative to the Western Cape:

- Fight HIV/Aids.
- Promote economic growth.

- Rural development.
- Improving safety and security in the Province.
- Drive a clean-up campaign in the Province.

Western Cape Department of Health

The main theme of the National Budget 2002/03 is the reduction of poverty and vulnerability through national health objectives and programmes. This is particularly relevant for the crafting of strategies in Provincial Departments of Health. The mission of the Western Cape Department of Health reflects the National Budget theme by aiming “to improve the health of all people in the Western Cape Province and beyond by ensuring the provision of a balanced health care system.” The leadership of the Western Cape Department of Health admits that services must be reshaped, reengineered and reprioritised if it is to meet the needs of the Province by 2010.

In line with National and Provincial objectives, the Western Cape Department of Health has prioritised the following areas, which are in line with the strategic framework of Healthcare 2010.

- Improving service delivery with better access and quality of care.
- Control of the AIDS and TB epidemic and its impact.
- Reshaping of the health service to meet the needs of the population.
- Enhance hospital efficiency and quality.

The Western Cape Department of Health strives to attain the overall Provincial objectives set by the Cabinet through the priorities set above. These objectives emerge from the Department’s conceptual framework for change – Healthcare 2010. The framework has the potential to deliver a health service that is accessible to all, offers quality care and is affordable.

It is clear from the departmental priorities outlined above that they are derived directly from the provincial and national outcomes. A look at the second departmental outcome, for instance, reveals that it proceeds from the third provincial outcome and from one of the five priorities that are crucial to the Western Cape as identified and announced by the Premier. All the other departmental outcomes are made up from the first and second provincial outcomes both of which focus on improving the health of all people in the Western Cape province. This is to be done through ensuring that all services are rendered in an effective, efficient, equitable, and accessible manner, while maintaining satisfactory quality.

iKapa elihlumayo

In addition to departmental priorities and overall provincial outcomes, the provincial government has developed the concept of *iKapa elihlumayo*, which means 'The Growing Cape'. Under this concept individual sectors are expected to grow together in a mutually beneficial way. For individual government departments, this means that they are expected to work together in such a way that their initiatives are coordinated. This coordinated approach is aimed at achieving the common desired outcomes of the whole provincial government. This suggests that each department must have core outputs that not only contribute to the achievement of sector specific strategic goals, priorities and outcomes, but also the overall common desired socio-economic outcomes of the province.

To this end, the draft strategy of '*iKapa elihlumayo*' focuses on four main areas of performance that will ensure the social upliftment of the communities. The four areas are as follows:

- Reducing poverty levels,
- Promoting economic growth,
- Promoting equity (access to services), and
- Employment creation.

The four socio-economic outcomes reinforce each other in a way that ensures that improvements in each of the outcomes will benefit everybody within the province. For instance, economic growth is the prerequisite for social upliftment as it contributes to the creation of jobs thereby reducing unemployment. The creation of new paid jobs on the other hand contributes to the reduction of poverty gaps within the province and also promotes the equitable access to services offered by government. The provincial government has a role to play in influencing each of the socio-economic outcomes. For instance, economic growth is partly influenced by the fiscal policies of the government of the Western Cape in as far as expenditures are directed at productive uses such as infrastructure investments that tend to crowd-in private investment.

In addition to the impact of economic growth on employment, this outcome is also influenced partly by direct fiscal policies of the government by implementing programmes such as public works that are directly aimed at creating employment.

Core outputs of the Department of Health

The following section, which is found by looking at appendix 1, identifies the core outputs of the Department of Health. Each of the core outputs identified is based on information extracted from the 2002-budget statement and strategic plan. The targets for each of the planned core outputs identified are then compared with the core outputs that are reported in the annual report for the same period in order to identify gaps between planned and actual performance. For each of the core outputs, a desired socio-economic outcome is identified with a description of how each of the outputs will contribute towards the achievement of the identified socio-economic outcome.

Note that for some outputs such as Mother to Child Transmission (MTCT) prevention, in particular, establishing such a link could be a simple exercise. However, for some other core outputs, it is difficult to establish a link between such an output and desired socio-

economic outcomes. In cases like this, reference is not made as to how such a core output relate to any socio-economic outcome. But an assessment will still be made of how such a core output contributes to departmental strategic outcomes as well as provincial overall outcomes.

It is possible, but not always the case, that some of the targets set for each of the core outputs identified might not be realistic or too low to make a meaningful contribution to the desired outcomes of government.

Each of the core output targets is then reviewed in an effort to adjust them to levels that they will make a significant contribution to the socio-economic outcomes. This is done based on input obtained from departmental officials in the form of interviews. Where responsible departmental personnel could not be reached and it is difficult to come up with an estimated of core desired output without additional information, no desired core outputs are identified. Note that there are some core outputs that are necessary to maintain an acceptable level of the well being of the members of the community. For instance, government is legally obliged to conduct MTCT rollout and a desired output in this case is 100% coverage. In such cases a desired output will be identified as such based on legislative requirements or court rulings rather than departmental inputs.

Performance and efficacy assessment

This section analyses the performance of the Department of Health by analysing the identified core outputs, and comparing them with actual performance. In addition to that, desired core output targets are developed based on the input from departmental officials and relevant sources of information. Finally, desired outcomes are formulated describing how each of the core outputs contributes to the socio-economic outcomes of the province as identified in the provincial government strategy document '*iKapa elihlumayo*'. Detailed information in a tabular format is attached to the appendix to this document.

Summary of programme structure and programme performance

The Department consists of the following six programmes:

- Administration
- District Health Services
- Hospital Services
- Academic Health Services
- Health Sciences
- Health Care Support Services

These health programmes form part of a comprehensive strategy aimed at improving the social and economic welfare of populations. These programmes are required to contribute to socio-economic outcomes in line with *iKapa elihlumayo*. To understand how individual programmes contribute to socio-economic outcomes, an understanding of the meaning of health is necessary. Health is defined as a state of complete physical, mental and social well-being, and not merely the absence of disease or infirmity. From a social point of view perfect health may be a state in which individual's capacities for taste and role performance are optimised. For instance, a fall in mortality implies an increase in the rate of population growth, which has a significant effect on the balance between this rate

and the rate of growth of national income. The labour force would increase the productive capacity of the economy.

The following section goes hand in hand with the appendix 1 as it clarifies some of the suggested 'desired targets' listed in the appendix to this chapter.

Programme 2: District Health Services

Sub-programme 2.1: District management and support services

In 2001 one of the expected service delivery outcomes was based on a decision by Cabinet on the delegation of the Primary Health Care Service function to local government. Negotiations on transfer of services and staff to local government were undertaken and this led to the commissioning of Delft, Kraaifontein, Vanguard and Green Point community health centres. In 2002 the transfer of 35 community health centres to local government was on the cards. The 2002 annual reports did not report on whether this planned transfer was undertaken or not. Therefore this issues needs to be revisited and reported on. Local government as the delivery responsibility for the bulk of priority services is the key to translating policies for poverty eradication.

Sub-programme 2.2:Community health clinics

It is generally accepted that immunizing children is one of the most cost-effective health interventions. This is particularly true in South Africa where diseases contribute significantly to childhood mortality and morbidity. In 2001 immunisation coverage was not specified in terms of percentage coverage and in 2002 the target was 85% and the department managed to cover four percentage points more than planned. For 2003 the department plan to achieve a 90% vaccination rate, which is considered insufficient given the importance of vaccination in preventing diseases. It is considered appropriate that a coverage rate more than 90% be achieved for 2003/04 and 100% vaccination rate be achieved in the medium term.

As regards the treatment of HIV/AIDS all professional nurses in the public sector must be trained to improve service delivery. The same applies to the coverage of voluntary counselling and testing for HIV/AIDS. In 2001 it was acknowledged that VCT is seen as a cornerstone of the AIDS programme and 80 lay counsellors were trained with the aim of expanding the service throughout the year. However, there is no target set in terms of accessibility to VCT in facilities.

The department targeted 75% of the facilities for offering Mother-to-child-transmission (MTCT) in antenatal clinics in 2001 and 2002. This target remains the same even in 2003. It is considered important that the department offers MTCT counselling in all Antenatal clinics. The fact that this was achieved in 2002 (as per annual report) suggests that full coverage is feasible.

There is now a need to move towards outputs and targets that measure the core programmes of the Directorate. These are activities where most of the budget will be allocated to, which include the indicators suggested on the recommendations below. In 2004 the ARV programme will become a very expensive and large programme and the department will need to build in indicators such as,

- The number of ARV sites established

- The number of patients on treatment

In the case of improving TB cure rate, the department should be more ambitious than 74%, because this is a curable disease and the number of new cases is still increasing. By 2001 the cure rates were steadily increasing with the cure rate for new smear positive cases improving to 71.7% from 69% in 1997 and 1998. These figures show an increase is not significantly different from the 2002 and 2003 cure rate at 74% and 75%, respectively. A one percentage point increase per year can only have an insignificant marginal effect and this is not acceptable given the fact that the department has an even larger task to deal with the real problem (HIV/AIDS) therefore making it essential to successfully deal with opportunistic infections such as TB. The department should try to reach the national 85% cure rate objective for new TB cases (smear positive).

Sub-programme 2.3: Emergency medical services

One of the main aims of the EMS programme in 2002 was to improve response time through the provincialisation of all emergency services. It is not only important to increase the number of people transported but to also respond as quickly as possible to a call. In its budget statement, the department focuses on activities related to the acquisition of ambulances and paying very little attention to ambulance response time. Appropriate outputs in the case of emergency services are:

- Number of people transported in less than an hour of a call;
- Number of calls responded to;
- Emergency patients seen within the recommended time.

If we look at the 2003 strategic plan we can see that the issue of response time is also not catered for. Although the EMS programme is more refined it still leaves much to be desired in terms of specification that quick response is a vital component of the EMS programme. This is being repeatedly highlighted because “the number of ambulances per 1000 population is meaningless, as they could all be standing still, broken. The major output in terms of EMS is ambulance response within a certain time, “response time”. This emphasis is made to ensure that the department is not only efficient but is both efficient and effective if it aims to save lives.

National health has set response times at 15 minutes in built up areas and 40 minutes out of town areas. At the moment the average response time in the Metro area is close to 60 minutes, which by international standards is bad; 10-15 minutes would be close to acceptable. The limitation is based on personnel primarily and vehicles secondarily. Ambulances required depend on incident rates multiplied by the turn around time of an ambulance. It has been calculated that at peak times, in order to respond to incidents within 15 minutes, there is a need for 90 ambulances on shift. In order to achieve these response times there is a need for an additional 350 personnel. The ambulance services are essential as the only way the poor and others (equity) can access emergency care in hospitals.

Sub-programme 2.4: District hospital services

This sub-programme, as a whole omits the core outputs, as there is nothing such as 'number of people treated for a particular disease'. Nothing is said, for instance, about improving Primary Health Care services, hospital admission rate and any other activities and/or services that are rendered at District level. It is true that training will contribute to better quality of services and thus translate this into lower patient days in hospitals but it is crucial to highlight not the input to achieve better health services but the output, that is, the actual product that the department and/or hospital will get from their staff.

In the case of specialist visits in each district hospital, one visit a month is not good enough. At district level hospital services should be at a higher level and if at least 3 different specialists. For instance, if paediatrics, gynaecology, and physiotherapy, come once a week interchangeably, that could be of more significance. Any hospital requires staff with diagnostic and therapeutic skills and with the time to use these skills for referred patients. Most hospitals are staffed with nurses and general practitioners of the same level of experience and training; doctors with specialised skills are critical for hospital efficiency.

Programme 3: Hospital Services

Sub-programme 3.1: Regional Hospitals

In the case of Patient Day Equivalent (PDE), which is derived from the total number of in-patient days plus one third of Outpatient head counts and one third of casualty head counts it is difficult to suggest a desired target. This is because PDE is a ratio used to analyse the technical efficiency of a hospital. It relies on other information, such as the Bed Turnover Rate (BTR), Bed Occupancy Rate (BOR), etc. It is difficult to know whether the current target is too high or too low because of the lack of information on all the other factors involved, and that includes information such as staff per patient or nurses per bed, number of beds etc. In 1998/99, PDEs were 1 017 953. In 2001 the latter was 977 000 and in 2002 the target was 657 000. One cannot make much of these figures without additional information.

It is however important to note that a hospital with more PDEs is considered as efficient because it is receiving and treating more patients but provided the Average Length of Stay (ALOS) is low. A shorter length of stay can indicate greater efficiency and improved quality of treatment. However, it can also result from a policy of releasing patients earlier in the recovery phase so as to minimise costs or the patients wanting to leave earlier because of high charges/fees.

Sub-programme 3.2: Specialised hospitals

The desired outputs for number of beds required per hospital is unknown because of the lack of information about the capacity of the facility and the number of people that attend this facility hence making it impossible to determine what would be a desired target. Again it is important to bear in mind the fact that the number of beds does not represent output categories but capital inputs in hospitals. The number of beds is one of the most important input factors in a hospital since a large part of the activities are related to it. Hospitals in general have particular number of authorised beds. Some of them are not in useable condition. Therefore the appropriate target for a number of beds is authorised beds for that particular hospitals. What the department or hospital needs to do is to make sure that all unusable beds are replaced so the hospital can operate at full capacity.

Recommendations for the 2004/05-2006/07

The review reported has identified core outputs of the department of health based on the information contained in the annual report, strategic plan and budget statement of the department. For each of the outputs, ideal desired outputs have been developed based on input from relevant departmental officials and documentation. For each of the core outputs identified, a desired outcomes has been developed describing how each core output contributes to the socio-economic outcomes of the province as developed in *iKapa elihlumayo* strategy. From the analysis of departmental information, the following recommendations are worth considering.

Outputs and desired outcomes

Descriptions of outputs need to be clarified including the way in which sentences describing outputs are phrased. For instance, for District Health Services one of the core outputs is 100 additional sites to offer VCT for HIV/AIDS. Although an increase in the number of sites offering VCT is important for the effective reduction in the incidence and impact of HIV/AIDS, this is not an output that the department should include in the budget statement. This is because this is descriptive of a process of acquiring inputs in order to offer VCT services to communities. An output in this case would be “number of persons who received VCT treatment”. The department does not focus on this output measure, which makes it difficult to make assessments of desired outputs.

A valid core output is continuous from one period to another, that is, it will always be offered by the health department. However, in this case increasing the number of sites offering VCT treatment is not continuous because once the number of sites have been increased to the level desired, the output will have to cease to exist because it has been delivered. However, the number of persons who received VCT treatment can be tracked from one period to another irrespective of the number of sites offering such treatment and therefore this output is more appropriate because it is continuous.

The core outputs identified for the department of health could be modified with additions of omitted outputs as in the following table:

Table 1: Suggested core outputs

Programmes	Programme 2: District Health services	Programme 3: Hospital services	Programme 4: Academic health services
Core output			
Current	85 % immunisation coverage of Diphtheria, Polio and Tetanus (DPT3)	9% of surgery patients to be day patients to improve efficiency and sustainability	Optimum utilisation of accommodation by consolidating ward space
Ideal	100% of children immunised for DPT3	Number of patients treated per major medical condition	Bed utilisation rate
Current	100 additional sites offer VCT for HIV/AIDS	10 beds and one psychiatrist full time equivalent in each of the three rural regional hospitals. Increase the number of multi-drug resistant TB beds	10% reduction of backlogs for key treatable conditions
Ideal	Number of infected people who received MTCT service and were treated for HIV/AIDS. Number of people tested for HIV or VCT uptake	Bed utilisation rate	Number of cases treated
Current	75% antenatal clinics to run MTCT	Development of ambulatory care services equitably distributed across the province	Reduce referrals for admission to tertiary level by 10%
Ideal	Number of women who receive Nevirapine, AZT or NVP/AZT uptake. Number of beneficiaries for home-based care.	Number of patients treated under ambulatory care Average response time of 10-15 minutes in Metro areas and 40 minutes out of town areas	Number of patients referred to tertiary level
Current	74% improved TB cure rate	None	
Ideal	Number of people successfully treated for TB	Number of inpatient days	
Current	All emergency services provincialised to improve response time	None	
Ideal	All emergency calls responded to within an hour	Number of surgical operations	
Current	None	None	
Ideal	Number of emergency patients attended to within recommended waiting times	Number of live births	
Current	None		
Ideal	Number of minutes emergency patients wait for treatment		
Current	100 ambulances purchased to improve quality of services		
Ideal	Number of patients treated under ambulatory care		

The table outlines categories of outputs that could be included under each of the main programmes in the Department of Health. A review of the information contained in the annual statistical review of the Department of Health reveals that most of these outputs are in fact reported in that report. For instance, the statistical report contains information on OPD visits, trauma/emergency attendances, operations, inpatient days, and bed occupancy. These are outputs that need to be reported in the budget statements as well under each of the programmes that the department has with targets attached to each output. Information on efficiency and costs of treatment for various conditions would help in relating outputs to budgetary allocations as well as conducting budgetary

reallocations. The department is currently focussing to a large extent on measures of inputs and/or activities describing them as outputs of the health service.

A proper assessment of the link between provincial socio-outcomes and priorities with those of the individual departments requires that there be well-defined outcomes and key performance indicators for each of the outcomes. Most of the outcomes as identified by the department do not have key performance indicators attached to them. It is, thus, important for departments to develop key performance indicators for outcomes that they identify within their departments. By the same token, it is important for the provincial government to develop key performance indicators for all the socio-economic outcomes that are identified for the province, especially those listed in the province's strategy document (*iKapa elihlumayo*).

In preparing their budget statements, departments could be required to indicate which provincial socio-outcomes their programmes and sub-programmes are contributing towards. This would allow for a direct tracking and comparison of key performance indicators at a department level and those at a provincial government level. It is important to note that the department provided information on how departmental programmes related to provincial outcomes in the 2001/02 strategic plan, but has decided to exclude such crucial information in the 2002/03 and 2003/04 strategic plans.

The departments could also be asked to identify initiatives by other departments within the provincial sphere that dovetail what they are currently doing or proposing to do to strengthen an integrated approach to service delivery. This is in line with the intentions of *iKapa elihlumayo* strategy.

Budgetary reallocations

This section focuses on recommendations for budgetary reprioritisation within the current budgetary constraint of the department. Note that because of the absence of data on unit costs and the fact that some of the outputs are either missing or not well defined, budgetary reallocation recommendations will not consider the implications of increases or decreases in overall outputs on the total budget.

Sub-programme 2.2

Sub-programme 2.2 under the District Health Services programme focuses on immunisation, VCT, MTCT and TB. This sub-programme was allocated a total budget of R551m for the 2002 financial year increasing to R649 million in 2003/04 financial year. This represents about 17% annual increase in the budgetary allocation for this sub programme between the two periods.

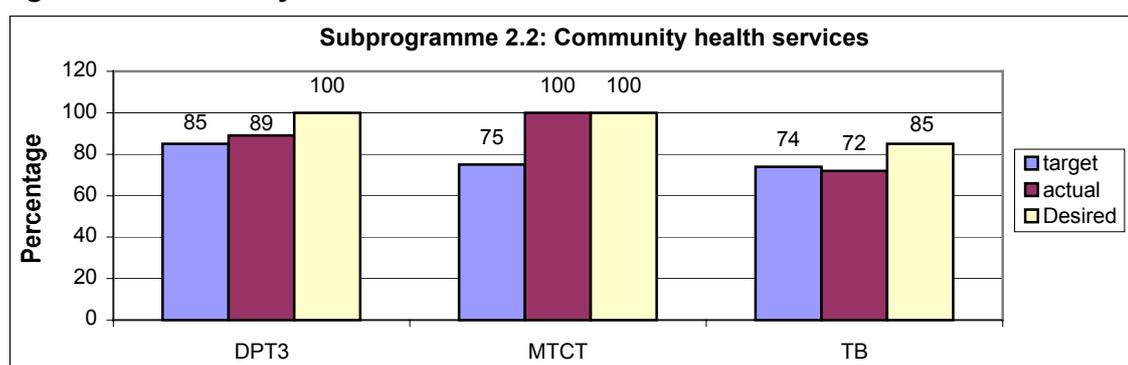
For vaccination, actual performance, however, reveals that the target of 85% for vaccination coverage was exceeded by four percentage points to 89%. As mentioned already vaccination is very important for reducing infant mortality and improving morbidity. In 1999/2000 the Western Cape infant mortality rate was 8.4 infants per 1000 live births while the South Africa Average was 45 per 1000 live births. This level is much closer to that of the OECD, which was 7.0 per 1000 live births in the same year. Although 89% is better than the national average, a target of 100% coverage should be achieved for this core output. This means that more funds should be directed towards this sub programme in order to achieve the 100% coverage. However, the budget

implications of achieving 100% coverage cannot be quantified because of the absence of the relevant data on unit cost per vaccination.

The target that was set for TB cure rate was 74% with actual performance two percentage points lower than target 72%. An increase in TB cure rate is important because it enhances productivity, which would in turn contribute to economic growth. The Western Cape has a high incidence of TB compared to the rest of the country. This is a direct result of a higher than average tendency of the people to smoke in the Western Cape. In 1998 49% of all males smoked in the Western Cape compared with the national average of 42%. The situation is even worse among the females in which case 29% of the adults smoked in 1998 in the Western Cape compared with an average of only 11% of the females in the whole of South Africa. Nevertheless it is believed that the department should strive at achieving the TB cure rate of 85% in line with the national target. This suggests that more resources should be directed at fighting this disease.

An appropriate intervention would be to train more medical staff focusing on a fight against TB and to educate the public regarding the importance of seeking help before the situation gets worse, as well as introducing campaigns to reduce the incidence of smoking in general. The department is now focussing more on training all professional nurses in primary health care in the treatment of HIV/AIDS. Given the fact that the Western Cape has a low incidence of HIV/AIDS a balance should be struck between HIV/AIDS and the incidence of TB although they are associated to some degree. In the short-term funds for fighting TB are more likely to come from “new money” since the provision of MTCT and VCT cannot be compromised on the face of the current court rulings that these must be made available in all health facilities. The department has prioritised fighting HIV/AIDS such that the targets that were set for this area were exceeded by significant margins and more than doubled for VCT provision.

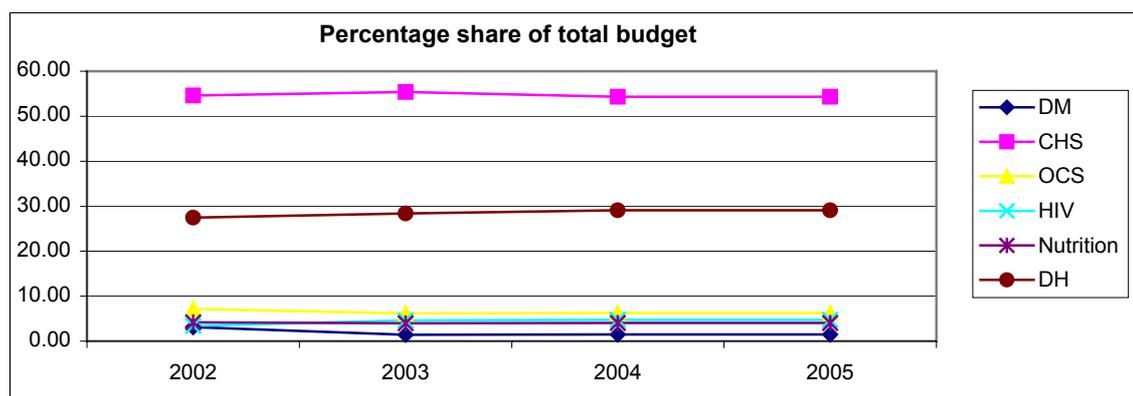
Figure 1: Community health services: Performance assessment



Source: Authors' calculations from provincial hospital statistics (Department of Health 2000, 2001)

Looking at the share of community health services on the total budget of the department Figure 2 shows that the sub-programme occupies about 55% of the total budget. The nominal allocations increase at an average annual rate of 5% between 2002/03 and 2004/05. This is the highest share compared to other sub-programmes and it remains stable over the MTEF cycle. As such it is unlikely that more money could be allocated to this sub-programme from the current departmental budgetary resources, unless treasury could allocate more “new money” over and above the current MTEF baseline.

Figure 2: District Health Services: Sub-programme share of total programme budget



Source: Authors' calculations from provincial hospital statistics (Department of Health 2000, 2001)

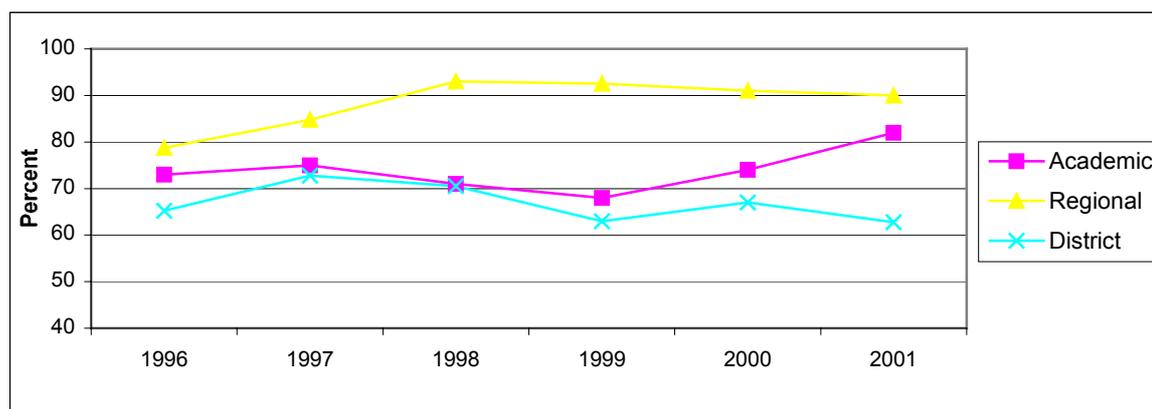
Economic efficiency

Bed occupancy rate and average length of stay

Bed occupancy rate is a measure of how many beds are occupied at a particular point in time in relation to total useable beds available in the hospital. The use of useable beds in the calculation arises from the fact that the inclusion of those beds that are not useable results in an underestimation of the actual utilisation rate. The sum of useable and unusable beds is authorised beds for a facility of any given size.

Optimal levels of bed utilisation range between 80% and 90%. Any level below or above this range suggests that the hospital is operating at an inefficient level. For the Western Cape in 2001 the bed utilisation rate ranged from 66% for District Hospitals to 89% for Regional Hospitals. Provincial Aided Hospitals scored 70%, Other Hospitals scored 85% while Academic Hospitals scored 82% in bed utilisation rates. Thus, the bed utilisation rates achieved by District and Provincial Aided Hospitals were at less than optimal levels. An inspection of the trends in utilisation rates reveals that they have been declining since 1996 for District Hospitals. The department now aims that 90% of all contacts with patients should happen at both District Hospitals and Primary Health Care (PHC) level.

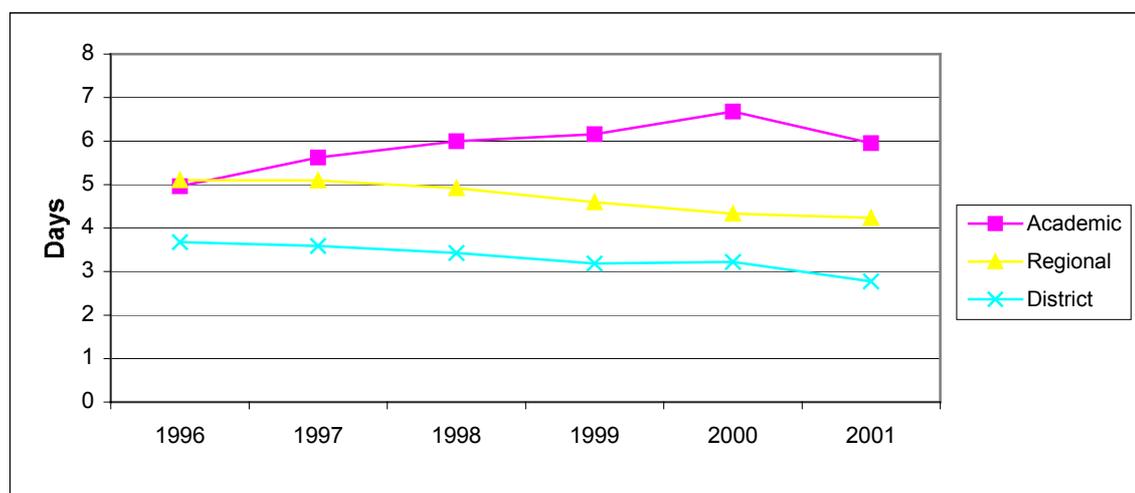
Figure 3: Average bed occupancy



Source: Authors' calculations from provincial hospital statistics (Department of Health 2000, 2001)

Average length of stay is a measure of the number of days a typical patient spends in hospital. The longer the length of stay, the more expensive it is for the hospital. Thus, the challenge for hospitals is to reduce average length of stay while still maintaining acceptable quality. The figure below shows that the average length of stay for all categories of hospitals is less than seven days. This compares with the best in developed OECD countries that have an average length of stay of 7 days.

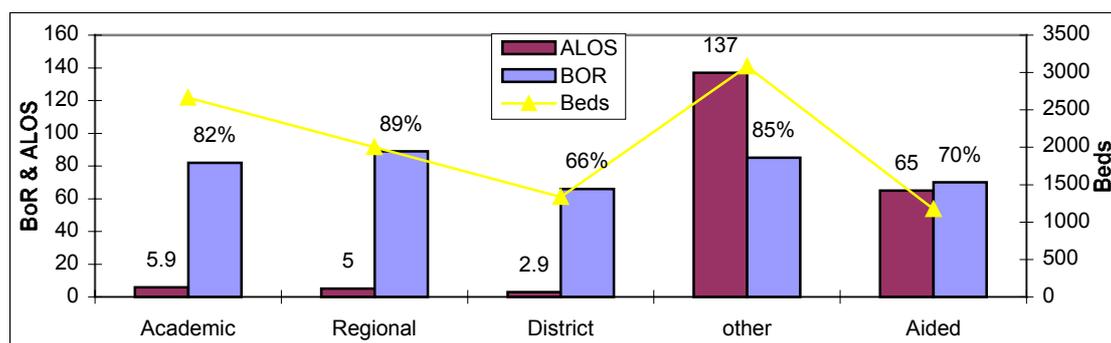
Figure 4: Average length of stay



Source: Authors' calculations from provincial hospital statistics (Department of Health 2000, 2001)

There are, however, certain hospitals that are a cause for concern as they have unusually long length of stay. Figure 5 shows that provincial aided hospitals have an average length of stay of 65 days while other specialised hospitals have an average length of stay of 137 days. The latter category of hospitals is dominated by psychiatric and TB hospitals, which might be the main reason for such a long average length of stay.

Figure 5: BOR and ALOS for all categories of hospitals – 2001



Note: Aided = Provincial aided hospitals; other = psychiatric and TB hospitals

Technical and allocative efficiency

The Health Care 2010 Plan aims at restructuring the health system to reduce “inefficiencies, inequities and sub-optimal quality of care” (Department of Health, 2002). Firstly, this requires that people be treated at an appropriate level to minimise costs and that the referral system be functioning well. Table 3 reveals that in 2001 an average of 53 people were transferred per day from Academic Hospitals, 46 from Regional Hospitals, 81 from District Hospitals, 12 from Other Hospitals and 7 from Provincial Aided Hospitals. Secondly, it requires that those hospitals receiving increased number of patients be operating under increasing or constant returns to scale, that is, the downsloping or flat range of the longrun average cost curve. Finally, it requires that there be willingness on the side of health authorities to undertake the necessary input reallocations across various categories of hospitals.

Calculating technical and allocative efficiencies requires the identification of both inputs and outputs. For hospitals, it is difficult to identify inputs and outputs because of the nature of services rendered. Whatever, proxy inputs are identified, they must be representative of the actual inputs of the health system and they must consume a significant amount of total expenditure allocations for hospitals. Likewise, proxy outputs should be representative of the actual products of the health system. For the purposes of this document, inpatient days and outpatient visits were chosen as representative outputs of the hospitals. Although variables such as operations undertaken as well as number of live births could be identified as proxies for actual outputs, they are not preferred because some hospitals specialise in areas that others do not specialise in. For instance, maternity hospitals are more likely to have more operations and, indeed, number of births than hospitals that do not focus on maternal health. However, all types of hospitals do have inpatient days and outpatient visits. This makes these two variables the best candidates as proxies for health care outputs.

As regards inputs, doctors and nurses are the best candidates for treatment as outputs. Although one could include the number of useable beds as an indicator of capacity of any given hospital, their treatment might be slightly complicated because they are not used as inputs for the treatment of outpatients. As such, ‘number of beds’ was ignored as a proxy for inputs in order to keep the calculations and interpretation of results simple. The fact that personnel costs consume over 70% of the total hospital budgets also

supports the choice of personnel as a proxy for inputs. Table 2 presents information on personnel cost as a share of total cost for various categories of hospitals.

Table 2: Share of personnel expenditure on total hospital budget

Hospital category	Personnel (R)	Total expenditure (R)	Percentage share
Regional	361 560 757	501 442 994	72%
District	168 577 644	231 104 396	73%
Other	222 934 362	278 637 428	80%
Aided	31 582 348	42 259 722	75%
Academic	92 824 540	1 275 641 076	73%

Table 3 presents results of technical and scale efficiency calculations for the five categories of hospitals.

Table 3: Relative productive efficiency and returns to scale

PART 1: Technical and scale efficiency scores						
Measures		Hospitals				
		Academic	Regional	District	Other	Aided
1	Actual TE score (crs)	83%	89%	100%	85%	100%
2	Potential TE score (crs)	82.6%	89%	317%	85%	168.0%
3	Potential TE score (vrs)		179%	327%		341%
4	Scale efficiency		50%	97%		49%
5	Returns to scale		drs	irs		irs
PART 2: Changes required to make inefficient hospitals efficient						
Input decline						
6	Doctors	653	142		26	
7	Nurses					
8	Other staff	1 418	121		176	
Output increase						
9	Inpatients	72 655				

Note: drs = decreasing returns to scale; irs = increasing returns to scale, crs = constant returns to scale; vrs = variable returns to scale; TE score = technical efficiency score

Source: Authors calculations from hospital statistics (Department of health, 2000, 2001)

Table 3 shows that technical efficiency (TE) scores for District and Provincial Aided Hospitals are at 100%. This means that District Hospitals and Provincial Aided Hospitals are performing better in relation to the other three categories of hospitals. Academic, Regional and Other Hospitals have their TE scores ranging between 80 and 90%. This means that these categories of hospitals are not performing as well as they could in relation to the other two categories of hospitals given their current resources at hand. In fact, the results mean that Academic Hospitals could reduce all their inputs by 17% and still produce the current level of outputs. This translates to a saving of about R15 780 172. Stated differently, to be as efficient as District and Provincial Aided

Hospitals, Academic Hospitals need to reduce their inputs by 17%. By the same token Regional Hospitals and Other Hospitals need to reduce their inputs by 11% and 15%, respectively, in order to be as efficient as District and Provincial Aided Hospitals. This translates to savings of R39 771 683 for Regional Hospitals and a saving of about R33 440 154 for other hospitals. These amounts are mainly in terms of personnel costs and could be reallocated to other categories of hospitals.

Rows 6 through 8 in Part 2 of Table 3 shows the maximum additional reduction in individual inputs for various categories of inefficient hospitals to make them as efficient as District Hospitals and Provincial Aided Hospitals. For Academic Hospitals, the results show that a further reduction in the number of Doctors and other staff by 653 and 1418, respectively, is necessary to make them as efficient as District Hospitals and Provincial Aided Hospitals. The corresponding input declines for Regional Hospitals is 142 and 121 while that for Other Hospitals is 26 and 176, for the respective categories of inputs. These figures translate to additional savings for the three categories of hospitals that could be reallocated to District Hospitals. Row 9 of Part 2 of Table 3 also shows that Academic Hospitals could alternatively increase the number of inpatient days by 72 655 with the current level of inputs in order to be as efficient as District and Provincial Aided Hospitals.

The performance of District and Provincial Aided Hospitals, however, does not necessarily mean that the current level of their performance is the best possible with the current resources at their disposal. What Row 1 shows is the technical efficiency of District and Provincial Aided Hospitals in relation to other categories of Hospitals, that is, they are the best performing hospitals and are, therefore, used as benchmarks in calculating the efficiency of the remainder of the hospitals. Row 2 of Table 3 reveals that District hospitals could change their inputs by 317% while Provincial Aided Hospitals could change their inputs by 168% and still remain efficient. This calculation assumes that these two categories of hospitals are operating at the flat range of the long run average cost curve, that is, constant returns to scale holds. Row 3 replicates the calculations conducted to generate results in Row 2 assuming variable return to scale, that is, assuming that the hospitals are not necessarily operating on the flat range of the longrun average cost curve. In this case, account is taken of the possibility that they might be operating on the downward sloping or upward sloping range of the longrun average cost curve. The results of this calculation are shown on Row 3 of Table 3. This information allows one to calculate scale efficiencies as presented in Row 4 of the table. The results in Row 4 show that the share of Regional, District and Provincial Aided Hospitals' TE scores accounted for by scale efficiency are 50, 97 and 49 percentage points, respectively.

Row 5 gives information about the range at which each category of hospitals is operating along the longrun average cost curves. The results suggest that Regional Hospitals are experiencing decreasing returns to scale, that is, they are operating on an upward sloping range of the longrun average cost curve. On the other hand, District and Provincial Aided Hospitals are experiencing increasing returns to scale, that is, they are operating on the downward sloping range of the longrun average cost curve. These results are crucial in the sense that they provide some indication of which categories of hospitals could accommodate increases in workload (health contacts) while at the same time minimising the total cost of providing health care.

The results in Table 3 need to be treated with caution because of the complexities associated with providing health care. For instance, academic hospitals might appear to be inefficient because a substantial number of doctors undertake academic research rather than providing direct health service. By the same token, a category of hospitals (such as District Hospitals, for instance) might appear to be efficient because it has a large number of outpatient visits yet these are the result of poor diagnosis and/or ineffective prescriptions which is reflected in the large number of (repeated) OPD visits.

Health Care 2010

The Department of Health aims to exceed the national target of 3 visits per head for PHC between 2003 and 2010. However, an inspection of data in Table 2 shows that Academic, Regional and District hospitals have an average of two outpatient visits per head. Some of the hospitals within the three categories of hospitals have visits per patient well in excess of three. This suggests that outpatient visitors in most of these hospitals are utilising services that should otherwise be provided by the clinics and community health centres at the PHC level. This situation is different from what the department requires in terms of its Health Care 2010 plan where it aims to increase the number of people who are seen at the PHC level and reducing those that visit higher levels of health care. In particular, in its Health Care 2010 plan, the department is aiming at ensuring that (Department of Health (2002)):

- 90% of health contacts are at the level of PHC and District Hospitals;
- 8% of health contacts are at the level of Regional Hospitals; and
- 2% of the contacts are at the level of Central or Academic hospitals.

Table 4 shows that this desired situation is still far from being realised. The table reveals that the sum of contacts happening at both PHC level and at District Hospitals is about 74%. This share improves to 83% if Other and Provincial Aided Hospitals are included. Regional Hospitals are covering 7% of all health contacts, which is less than the target of 8% of total health contacts that the department would like them to cover. On the other hand, academic hospitals are covering 10% of all health contacts, well in excess of the target of 2% of all health contacts. This is equivalent to saying that academic hospitals are covering 500% more health contacts than the department would like to see happening as per Health Care 2010 Plan for this category of hospitals. District Hospitals, on the other hand, are covering 92% of the target set in the Health Care 2010 Plan for this category of hospitals. Finally, Regional Hospitals are covering only, 85% of the target envisaged in Health Care 2010 Plan for this category of hospitals.

Given the fact that it is more expensive to provide health services at higher levels such as in Academic and Regional Hospitals, the health care system could save money by successfully implementing the Health Care 2010 plan in terms of increasing health care contacts that happen at District Hospitals and PHC level from the current 83% to 90% and reducing health contacts that happen at academic level from the current 10% to 2% of total health contacts. In 2000 the Patient Day Equivalent (PDE) cost was R1 082 for Academic Hospitals, R482 for Regional Hospitals and R379 for District Hospitals (Department of Health 2000).

These actions, however, will also require a reallocation of inputs from both Academic and Regional hospitals to District hospitals and to some extent, to the PHC level. They

will also require improvements in capacity to handle more health cases at the PHC and District Hospitals levels. In line with this recommendation, the Health Care 2010 modelling results reveal that (Department of health, 2002):

- about 1500 beds currently allocated to chronic patients will be released by reintegration of TB and mental patients to their communities;
- admissions to tertiary or highly specialised hospitals will decline by 12%;
- resulting in a better utilisation of fewer beds;
- admissions to District Hospitals will increase by 37% ; and
- admissions to secondary level hospital beds will increase by 25%.

Table 4: Summary of hospital statistics for 2001

Variable	Hospitals					PHC (clinics, etc.)
	Academic	Regional	District	Other	Provincia I aided	
ALOS (Days)	5.9	5	2.9	137	65	
BOR (%)	82	89	66	85	70	
Beds	2662	2002	1334	3081	1174	
Separations/day	346	427	353	59	45	
Deaths	15	13	7	1	2	
Discharges	278	368	265	45	37	
Transfers	53	46	81	12	7	
OPD visits	1143879	747542	729435	59437	33434	
OPD headcount	694006	390100	419579	58607	31725	10742543
Visits per patient	2	2	2	1	1	
PDE cost	1082	482	379	250	195	
Health contacts	1517637	1111155	629013	1003466	328551	10742543
Health contacts (%)	10	7	4	7	2	70

Source: Authors calculations from hospital statistics data Health status and health services evaluation reports (2000, 2001).

Conclusion

This chapter has identified the core outputs for and reviewed the performance of the Department of Health. It was found that most of the outputs reported in the budget statements are in fact not outputs, but some measure of inputs. The chapter has therefore suggested the nature of outputs that should be reported in the budget statement and on which performance targets of the department should be based.

The chapter has proceeded by analysing the economic efficiency of hospitals, being important health delivery units, in the Western Cape. On the whole, the analysis suggests that health contacts should be shifted away from Academic and Regional Hospitals to District Hospitals and the PHC level. The results reported on Table 3 suggest that District Hospitals are operating on the downward sloping range of the longrun average cost curve. It was also indicated earlier that District Hospitals are running with bed utilisation rates of just over 60%. This means that they have the potential and capacity to take-up more health contacts at lower cost than any other category of hospitals, such as Regional Hospitals. In fact, Table 3 suggests that Regional Hospitals are already operating at an upward sloping range of the longrun average cost curve. This means that taking-up more health contacts at a Regional Hospital level is not efficient. In contrast to what the authorities require, Regional

Hospitals do not have the technical capacity to handle more health contacts than they have at the moment. In fact, according to the results in Table 3, some of the health contacts handled at the Regional Hospital level should be transferred to the District Hospitals and PHC levels.

Although Academic Hospitals are reported in Table 3 as relatively technically inefficient, it has been argued earlier that this might be a result of the nature of academic health services where a significant number of doctors might be undertaking research rather than coming into contact with health patients. However, there is still a point to be made regarding transferring some of the health contacts happening at that level to the District Hospital and PHC levels because of the magnitude of costs associated with treating a patient at the Academic Hospital level. The PDE cost in Academic Hospitals is reported in Table 4 to be R1 082 in 2001, more than twice that for District Hospitals at R379. This would reduce the proportion of health contacts happening at this level from the current 10% to some level lower than this value, although it is less likely that they could be reduced to 2% of total health contacts. The results of this would be a significant decline on the total cost of providing health services, which will in turn contribute to ensuring equity and accessibility of health services in the Western Cape.

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Core outputs and desired outcomes

Programme 2: District Health Services

Sub-programme 2.1: District management and support services Measurable Objective: Management and support for the provision of accessible and affordable Primary Health Care Services in the Metro region.			
Core Outputs and targets (Current)	Actual Performance	Core Outputs and Measures (Desired)	Outcomes (Desired)
Transfer of 35 Community Health Centers to Local Government.	Not achieved. The management target revolved around the devolution of authority over Primary Health Care to Local Government and this devolution has not occurred.	35 community health centers transferred to Local Government in line with Health Care 2010.	The devolution of responsibility from CHC to local government is a strategy to promote efficiency and accessibility by bringing health services closer to the people and this will have a positive impact in reducing unequal distribution of care, and reducing poverty.
100% Skill mix analysis completed and optimal deployment processes initiated	Not achieved.	100% Skill mix analysis completed and optimal deployment processes initiated	The health sector is labour intensive and highly complex, therefore determining the most effective mix of skills and workers to deliver care is a key requirement for cost effective health care services. 100% skill mix analysis is what will help achieve cost effectiveness, improve service delivery through deployment of appropriately qualified staff and thereby reduce the prevailing inequities in the distribution of care.

Sub-programme 2.2: Community health services Measurable Objective: Rendering of primary health care services in respect of mother and child/family planning, health promotion, geriatrics, occupational therapy, pediatry, malnutrition, communicable diseases, chronic diseases, mental health, environmental health etc.			
Core Outputs and targets (Current)	Actual Performance	Core Outputs and Measures (Desired)	Outcomes (Desired)
85% immunisation coverage of Diphtheria, Polio and Tetanus (DPT3) vaccination rate	89% DPT3 vaccination rate.	100% DPT3 vaccination rate.	To improve child health and reduce infant mortality through efficient immunisation coverage the department needs a 100% target. The latter will promote economic growth, as healthy children are a country's most valuable resource.
All professional nurses in Primary Health Care public sector trained in approach to the treatment of HIV/Aids	100%	100% of professional nurses in Primary Health Care public sector trained in approach to the treatment of HIV/Aids	To reduce the incidence of AIDS and their impact so as to improve life expectancy of all infected and affected individuals. Trained nurses, which translate to quality of the labor force available to produce outputs, will help the sector tackle the epidemic successfully therefore having a positive impact on all the provincial outcomes.
100 additional sites to offer VCT for HIV/AIDS	247sites offer VCT for HIV/AIDS. Target exceeded by 147%.	All available sites to offer VCT for HIV/AIDS	Fighting HIV/AIDS starts with proper VCT and the rest follows. The accessibility of VCT is a major step towards solving the scourge. This should reduce the impact of HIV/AIDS, improve life expectancy, minimize productivity loss, and improve the quality of labor available to produce output, that is, GNP.
75% Antenatal clinics to run MTCT programme.	100%. Target exceeded by 25%.	100% Antenatal clinics to run MTCT programme.	Reduction in the incidence of HIV/AIDS at birth hence an improvement in life expectancy will reduce the possibility of a drop in GNP/capita and the standard of living as measured by the decline the higher infant mortality and consequently, reduced enrolments in schools if the transmission rate is higher than could have been without full coverage.

Sub-programme 2.2: Community health services <i>(Continued)</i> Measurable Objective: Rendering of primary health care services in respect of mother and child/family planning, health promotion, geriatrics, occupational therapy, pediatry, malnutrition, communicable diseases, chronic diseases, mental health, environmental health etc.			
Core Outputs and targets (Current)	Actual Performance	Core Outputs and Measures (Desired)	Outcomes (Desired)
74% improved TB cure rate.	72% improvement. 2% below target.	TB cure rate increased to 85%	Reduction in the incidence of TB would reduce adult mortality thereby increasing the life expectancy of HIV positive individuals, which could have a positive impact on productivity (especially if those individuals are participants in the labour market) hence the economy in the short mid long-term period.

Sub-programme 2.3: Emergency medical services Measurable Objective: Improve Emergency Medical Services			
Core Outputs and targets (Current)	Actual Performance	Core Outputs and Measures (Desired)	Outcomes (Desired)
All emergency services provincialised to improve response time.	Only remaining service to be provincialised is City of Cape Town.	All emergency services provincialised to improve response time.	Improved service delivery and access to health services, which will in turn have a positive impact on equity and economic growth. Our rescue services are essential in a growing economy for medical security. People want to know that they have the confidence of working and playing (tourism) in an environment where if something goes wrong they will be rescued and get good medical care.
100 ambulances purchased to improve quality of services.	60 Mercedes Benz Sprinter ambulances were procured. 40% less than target.	100% availability of ambulances when needed.	Improve quick access to and quality of health facilities and services. Availability of ambulances at all times for quick transportation can reduce the possible premature and /or unnecessary deaths.
Emergency bed booking system set up.	System not functional.	Emergency bed booking system set up in all hospitals.	Because emergency services aim to reduce the risk of premature death for people suffering injury or acute illness by providing timely emergency services an emergency bed booking system must be set up in all facilities. This will result in enhanced hospital efficiency and quality of service.

Sub-programme 2.4: District hospital services Measurable Objective: Improve patient care at District Hospital level.			
Core Outputs and targets (Current)	Actual Performance	Core Outputs and Measures (Desired)	Outcomes (Desired)
Greater local satisfaction with district hospital services	100% patient satisfaction surveys	100% positive patient satisfaction surveys	Reduction in the delivery of unwanted services and improvement in the delivery of most wanted services, resulting in higher quality of services provided in district hospitals.
Skills audit completed and additional training provided	100%	Continual training of health workers provided	Improve skills and productivity of health care workers thereby contributing to better quality of service. Functions should be reviewed in the light of the capacity of health centres to deal with health problems hence tackle inequalities and poverty.
At least one specialist visit per month in each District hospital	Deviation varies	Convert the part time specialist to whole time equivalent or 12 specialist visits per month, at least 3 visits per week	The number of specialists is an important factor in patient care. To achieve an efficient and effective service for patients it would be highly desirable to convert the part time specialists in a hospital at any time to full time equivalents. The desired target will help reduce the burden of disease.

Programme 3: Hospital Services

Sub-programme 3.1: Regional Hospitals Measurable Objectives: Rendering of hospital services efficiently at specialist level.			
Core Outputs and targets (Current)	Actual Performance	Core Outputs and Measures (Desired)	Outcomes (Desired)
320 000 Patient Day Equivalents (PDE) in rural regional hospitals to increase bed capacity. 575 000 PDE's in Metro regional hospitals	George: 60 171 Paarl: 191 223 Eben Donges: 86 008. Metro Regional Hospitals: 648 665	Unknown Unknown.	High PDEs could be an indication of technical efficiency of hospitals as it translates into hospitals receiving more patients and therefore more people having access to medication/treatment. Accessibility of health care, especially in the rural regions, is a major component of reduction in inequity levels and therefore eradication of poverty.
At least 1 specialist full time equivalent per general specialist department.	George Hospital: 100% (5/5) Paarl Hospital: 1 specialist per specialty (5/5) Eben Dönges: 4/5 specialties filled	1 specialist fulltime equivalent per general specialist department	Specialised care can translate into quicker recovery and 1 full time equivalent per general specialist department can further reduce the number of sick days a patient has to stay unproductive. Sick days are a source of disutility as a person loses the total amount of time available for market and non-market activities. Having a full time equivalent specialist can increase the stock of health of individuals, reducing the time lost from these activities and by reducing the number of hospital days per patient increases the availability of beds for other patients.
9 % of surgery patients to be day patients to improve efficiency and sustainability	Metropole Region 41% of all surgery. George Hospital: 1% of tonsillectomies and dental work.	Unknown.	The more surgery patients transformed into day patients will result not only on a larger number of beds available but also lower costs for both parties, the customer and the service provider. This will reflect hospital efficiency and quality of care.

Sub-programme 3.2: Specialised hospitals Measurable Objective: Rendering of specialised health services, such as tuberculosis, psychiatry and rehabilitation.			
Core Outputs and targets (Current)	Actual Performance	Core Outputs and Measures (Desired)	Outcomes (Desired)
10 beds and 1 psychiatrist full time equivalent (FTE) in each of the 3 rural regional hospitals	Rural Regions all have full-time psychiatrist	Unknown.	A full time equivalent specialist will improve recovery rates and quality of care
Improve the delivery of Tuberculosis hospital services and increase the number of multi-drug resistant TB beds by putting 20 beds at Brooklyn Chest Hospital and 10 beds at Brewelskloof Hospital.	Planning done for 40 beds at Brooklyn Chest Hospital for Multi-drug resistant (MDR) TB patients and no beds commissioned at Brewelskloof Hospital due to overflow from Regional Hospital.	Unknown.	Improving the delivery of TB hospital services will reduce the number of deaths caused by this disease and therefore result in healthier productive people.

Programme 4: Academic Health Services

Sub-programme 4.1: Academic medical services Measurable Objective: Rendering of medical health services and a platform for the training of health workers.			
Core Outputs and targets (Current)	Actual Performance	Core Outputs and Measures (Desired)	Outcomes (Desired)
10% reduction of backlogs for key treatable conditions.	Preparatory Work Completed; lists developed. Financial constraints hampered progress.	Elimination of backlogs.	Eliminating backlogs for treatable conditions can reduce what could have been mortality in the sense that if services are accessible (for instance, infrastructure backlog) there could be a prevention of an unnecessary death. If the latter occurs then there is a forgone income that is estimated by calculating the capitalizing value of future lifetime earnings that would have been earned by those who died prematurely from a treatable disease.
Reduce referrals for admission to tertiary level by 10%	Incomplete. Work-study investigations during 2003 will facilitate this process.	Reduce unnecessary referrals for admission to tertiary level.	A reduction in referrals could be more cost-effective for the department. Primary and secondary facilities must improve the quality of services and therefore ensure that services are delivered at appropriate levels in line with Health Care 2010.
Develop a patient satisfaction survey tool at all hospitals.	A survey tool has been developed.	Fully utilize patient satisfaction survey tool	Enhanced hospital efficiency and quality. Health services reshaped to meet the needs of the community. The service supplier's capacity and activities should be adjusted in accordance with the changing needs of the populations served.
Optimum utilization of accommodation by consolidating ward space	Beds consolidated	Consolidation of beds completed	The consolidation of beds will enhance hospital efficiency and quality as bed occupancy rate is a measure of the intensity of use of hospital resources by inpatients. The increased bed occupancy rate reflects improved bed management and changes in the number of beds available.
Monthly business status reports of clinical and non-clinical information.	Monthly reports are available	Continued availability of monthly reports	To attain optimal effectiveness, regular monitoring of the internal organization and functioning of hospitals is required and this can be achieved through continued availability of monthly reports.

Sub-programme 4.2: Academic dental services Measurable Objective: Rendering of dental health services and a platform for the training of health workers.			
Core Outputs and targets (Current)	Actual Performance	Core Outputs and Measures (Desired)	Outcomes (Desired)
80 BChD students graduating per year (Dental graduates, post graduates and oral hygienists)	78 students graduating	80 BChD students graduated per year.	Improved skills, better access to and quality of dental services will result from dental graduates (and 80 is the desired target) as they will promote proper oral health care, prevention and more education on how individuals should look after their teeth to reduce malnutrition, and reduction in cases related to dental problems. Keep healthy means higher productivity and poverty reduction
Number of patients treated increased by 10%	1 322 operations 16 200 visits	Number of patients treated increased by 10%.	The given current/desired target will improve hospital capacity for dental services translating into improved hospital efficiency, availability and accessibility of services. The availability of facilities will tend to have some effect on utilization, with greater availability increasing utilization.
Number of patients on waiting lists reduced by 25%	Waiting list total: 3 500. Dentures: 500 Advanced orthotics: 720. Maxillo-facial: 14 Removal of wisdom teeth: 130.	Waiting list patients reduced by 50%	Improved quick dental service delivery enhancing hospital efficiency. Time costs and availability can be more costly to both consumer and supplier of health. One must associate the individual's time cost with the consumption of medical care.

Programme 5: Health Sciences

Sub-programme 5.1: Nursing Training Colleges Measurable Objective: To provide training of nursing personnel to meet service needs.			
Core Outputs and targets (Current)	Actual Performance	Core Outputs and Measures (Desired)	Outcomes (Desired)
150 nurses admitted into 1st year (excludes 150 nurses admitted to universities)	159	As many nurses as the Training college can admit and the department of Health can afford.	Improved skills, better quality of health services results in more efficient and more effective services produced by the health facility therefore translating into less Average Length of Stay (ALOS) for patients, for instance.
85% of nurses to successfully complete training for the academic year (4-year course)	1st year: 95% 2nd year: 87% 3rd year: 92% 4th year: 97%	100% of nurses completed training for the academic year	If 100% of nurses complete training successfully, the production function of the hospital becomes more efficient in providing services as the level of education of the producer positively influences the efficiency of the production process. An efficient health facility evidently results in poverty reduction-economic growth, as more people are healthier to contribute to the economy.

Sub-programme 5.2: Ambulance training college Measurable Objective: To train ambulance personnel to provide Emergency Medical Services.			
Core Outputs and targets (Current)	Actual Performance	Core Outputs and Measures (Desired)	Outcomes (Desired)
433 Emergency Medical Services staff trained at the Ambulance Training College.	686	All Emergency medical services staff trained at the Ambulance training College	An increase in the skills level and productivity improvement contributing to a healthier society and faster economic growth.
85% of the above students successfully completed training at the Ambulance Training College.	98%	100% of the above students successfully completed training at the Ambulance training College.	The value of information that these trained staff can provide can relieve the burden of decision-making concerning the appropriateness of types of health care therein improving the quality of services provided.

SOCIAL SERVICES AND POVERTY ALLEVIATION

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Glossary/Abbreviations

SMG : State Maintenance Grant

NGO : Non-Governmental Organisations

CSG : Child Support Grant

Executive Summary

The Department of Social Services and Poverty Alleviation is primarily responsible for upholding the welfare of the community through the payment of social grants and implementation of social development projects that will promote independence of those who are currently dependent on social grant payouts. To this end, the department has two main programmes, namely, developmental social welfare and social security. Because of the importance of striking a balance between the two core programmes, the department has established a rule of thumb that requires that 80% of the department's budget be spent on social grants with the remainder spent on development services. However, currently this ratio is breached with the share of social security at about 85% for 2003/04 financial year increasing to 87% of the budget by 2005/06 financial year.

There are several reasons for this increase. In the first place, the department was supposed to cancel those grant beneficiaries whose medical coverage had expired, especially in the case of disability grants. However, the courts have ruled that these people continue getting paid until they are given a proper 90-day notice for such cancellation. This has put upward pressure on the departmental budget. The department has indicated that it will be in a deficit in the case of disability grants for the 2003/04 financial year, whereas it will breakeven in the remainder of the grants. Secondly, new grant beneficiaries used to receive their grants from the date their applications were approved. Now the law required that they be paid from the date they applied for such grants. As such, the department has had to undertake back pays from periods as early as 1998. Finally, the threshold age for qualifying for child support grant has been increased from 6 years to 14 years further putting the departmental budget under pressure.

Although the department claims that all the beneficiaries under each grant type are covered by the current grants, the latest data available reveal that there are massive gaps between the number of people that the department is covering and those that are potentially eligible for child support grants. As mentioned already child support grant has been extended to children under the age of 14. Based on the Census 2001 data this policy change reveals, in Table 3, that the department has a financing gap of about R225 million for 2003/04. Since the social grants (security) programme is the largest of all programmes within this department, there is not much that could be done in terms of reallocating resources towards this programme. As such the department would do better with an additional budget allocation for 2003/04, unless potential beneficiaries do not apply for such grants. Projections of these figures over the MTEF cycle reveals that the sub-programme will again be in a deficit to the value of R178 million for the 2004/05 financial year. Again this cannot be accommodated within the current budgetary allocation necessitating an increase in allocations from the Treasury. For the 2005/06 financial year, the projections reveals that the department will make a surplus of R494 million. This amount of money will be available for reallocation to other sub-programmes or indeed programmes if there are shortfalls. This is based on the assumption that the current potential beneficiaries do not apply for such grants or if they do in 2003/04, such increases in demand will be accommodated by the Treasury. If the potential beneficiaries do not apply for such grants until 2005/06 the department will be in the position to comfortably accommodate them within the current projected surplus without any increase in budgetary allocations from the Treasury.

The sensitivity analysis shows that if the census data overestimated the true number of potential beneficiaries by 25%, the department would still incur a deficit under this grant if all potentially eligible beneficiaries were to take up the grant. This deficit would be reversed into a surplus if the census data overestimated the true number of potentially eligible children by 30% and all potentially eligible children take up the grant. This is equivalent to saying that the potential number of eligible beneficiaries could increase by a monthly average of as much as 43 211 for 2003/04 without throwing the department into a deficit with respect to this grant. The breakeven point for child support grant is a monthly average of 289 971 beneficiaries. This is compared to the current actual monthly average of 241 950 beneficiaries.

The disability grant is paid to those persons who are disabled. Currently, according to Table 1, the number of people receiving disability grants is 127 376 with each grant valued at R700 per person per month. This brings the total expenditure for the year for this grant to just over R1 billion. The new census data suggests that the number of people who are disabled in the Western Cape is 186 849. At R700 per person per month this brings the total potential expenditure to R1.5 billion and a financing gap of R500 million for 2003/04. This gap increases to R583 million in 2005/06. Again because of the magnitude of the financial numbers involved under the social security programme it is not possible to reallocate funds from other programmes. Instead funds are more likely to come either from other grants within the programme or from additional budget allocations by the Treasury. It was indicated earlier that the child support grant shows a surplus of R494 million in 2005/06. Some of this surplus could be used to accommodate this shortfall provided potential child support grant beneficiaries do not apply for the grant.

The sensitivity analysis shows that if the census data overestimated the true number of potential beneficiaries by 30%, the department would still incur a deficit under this grant if all potentially eligible beneficiaries were to take up the grant. The breakeven point for disability grants based on the 2003/04 voted budgetary allocation is a monthly average of 124 711 beneficiaries compared with the current accrual monthly average of 127 376 beneficiaries.

As regards old age pension the department pays pensions to an average of about 157 057 beneficiaries per month. With each grant valued at R700 per person per month, this brings the total expenditure for the year under this grant to R1.3 billion being the biggest expenditure of all grants. However, the 2001 census data reveals that about 298 321 persons fall within the age range under which they would qualify for old age pension. For women the minimum age is 60 years while for men the minimum age is 65. Based on this new estimate of the population of the elderly and with each grant valued at R700 per person per month the total potential expenditure under this grant is R2.5 billion for 2003/04. This generates a gap between this figure and the current old age pension coverage of about R1.4 billion for 2003/04. This gap increases to R1.5 and R1.7 billion for the 2004/05 and 2005/06 financial years, respectively. Again this is large amount of money that cannot be covered within current budgetary allocation of the department. It requires Treasury's intervention in terms of allocating more money to cater for potential demand.

The sensitivity analysis shows that if the census data overestimated the true number of potential beneficiaries by 45%, the department would still incur a deficit under this grant if

all potentially eligible beneficiaries were to take up the grant. The breakeven point for old age pension for 2003/04 based on voted budgetary allocations is a monthly average of 155 200 pensioners. This is compared with the current actual monthly average of 157 057 pensioners.

Finally, in line with the requirements of *iKapa elihlumayo* departments are expected to coordinate their efforts and acknowledge common initiatives that they embark on. However, An inspection of the budget of the Department of Education reveals that it spends R53 million on early childhood development. This is an activity, which the Department of Social Services and Poverty Alleviation also focuses on. However, there is not mention in either department's budgetary statement of the coordination of activities and consolidation of funds spent under this programme.

Introduction

S. 27(4) of the Public Finance Management Act (1999) requires that when the annual budget is tabled in the National Assembly or provincial legislature, the Accounting Officer of the Department concerned submit measurable objectives for each main division within that particular vote. This implies that outputs and outcomes must be defined and they must be published. It also calls for the introduction of performance-based budgeting. In the performance-based budgeting environment the budget of a particular department is expressed in terms of activities and outputs. These outputs must relate directly to the objectives of each of the programme and those of the department as a whole. In return objectives and outputs of the whole of the department must also contribute directly to (or be aligned with) the achievement of the priorities of government as a whole.

The Minister of Social Services and Poverty Alleviation recognises the importance of this alignment between priorities and objectives across departments and spheres of government. In an opening statement to the 2003 – 2006 strategic plan the Minister maintains that “In reading this strategic plan one would get a sense that the department is seeking to align its own planning with issues that are transpiring on a national level. This re-alignment of national and provincial strategies is important in striving to build a nation of equal opportunity.”

It is important to note that the quality and comprehensiveness of the department's outputs and performance measures determines the quality of the information that is reported in its periodical performance reports. The relevance of such outputs and measures to the overall objectives of the department and their alignment with priorities of government ensures that what is measured is valid and reflects the department's contribution to overall service delivery effectiveness.

South Africa is now moving towards performance-based budgets in which information on outputs and measures will be reflected in budgetary statements. This ensures that the legislatures know what they are appropriating money for, and in situations where performance targets or standards are set; they also know the level of performance that each department is aiming at achieving.

This chapter takes the Minister's statement as a point of departure and assesses the information contained in the department's 2002 – 2005 strategic plan and budget statement for 2002/03 to establish the extent to which the department has achieved its planned performance as well as the degree of alignment between departmental priorities and the provincial 10-point plan. It assesses the following areas of importance:

- the alignment between departmental outcomes and priorities with those of the province as a whole.
- departmental actual performance based on published information in annual reports and compare it with the desired nature and extent of information as outlined in the strategic plan and other policy documents;
- identifies desired outputs for each core output of the department and provides explanations of how each of the outputs contributes to the overall outcome of both the department and province as detailed in *iKapa elihlumayo* strategy document.

Finally, the report identifies areas where there are gaps and where improvements could be made. It makes recommendations for 2004/05 through 2004/05 MTEF cycle on how performance could be improved and reallocations made within the current budgetary allocation.

Assessment of performance information

Provincial outcomes

A review of the information contained in the Western Cape Fiscal Policy Document and Strategic plans and budget documents of the department reveals the following information regarding provincial outcomes. This chapter only focuses on those that are relevant to social services and poverty alleviation.

- Establish the Western Cape government as caring and representative, provide quality, equitable and accessible services to all its people;
- Orientate government towards the poor by ensuring basic services, an indigent policy, a safety net and a caring budget;
- To fight HIV/Aids and other diseases in a coordinated and comprehensive manner which includes the provision of anti-retroviral drugs, lifestyle intervention and sustained action against poverty;
- To contain and eradicate crime through good intergovernmental co-operation so that the Western Cape can be a safe and secure home, especially for its women and children.

The following section assesses departmental information as contained in the Budget Statement and Strategic Plan documents.

Departmental Outcomes and Goals

Based on the provincial outcomes listed above, the department has identified the following as its strategic goals:

- Social services are integrated;
- Social services are accessible;
- Appropriate/ adequate social services;
- Quality social services of a high standard; and
- Resources support service delivery

A look at the strategic objectives as developed by the department reveals that they are derived directly from the outcomes of the province. As such one would conclude that what the department wishes to do is integrated with what the province is hoping to achieve. However, these strategic goals show the intentions of the department but they do not say much about the initiatives or strategies that will be developed and implemented to reach the provincial outcomes.

In addition to departmental strategic goals and overall provincial outcomes, the provincial government has developed the concept of *iKapa elihlumayo*, which means 'The Growing Cape'. Under this concept individual sectors are expected to grow together in a mutually beneficial way. For individual government departments, this means that they are expected to work together in such a way that their initiatives are coordinated. This coordinated approach is aimed at achieving the common desired outcomes of the whole of the provincial government. This suggests that each department must have core outputs that not only contribute to the achievement of sector specific strategic goals and outcomes, but also the overall common desired socio-economic outcomes of the province. To this end, the draft strategy of *'iKapa elihlumayo'* is aimed at contributing to four main areas of performance that will ensure the social upliftment of the communities and reduce poverty. The Concept focuses on four areas, namely:

- reducing poverty levels;
- promoting economic growth;
- promoting equity (access to services); and
- employment creation.

The four socio-economic outcomes reinforce each other in a way that ensures that improvements in each of the outcomes will benefit everybody within the province. For instance, economic growth is the prerequisite for social upliftment as it contributes to the creation of jobs thereby reducing unemployment. The creation of new paid jobs on, the other hand, contributes to the reduction of poverty gaps within the province and also promotes the equitable access to services offered by government. The provincial government has a role to play in influencing each of the socio-economic outcomes. For instance, economic growth is partly influenced by the fiscal policies of the government of the Western Cape in as far as expenditures are directed at productive uses such as infrastructure investments that tend to crowd in private investment. In addition to the impact of economic growth on employment, this outcome is also influenced partly by direct fiscal policies of the government by implementing programmes such as public works that are directly aimed at creating employment. In addition to the impact of economic growth on poverty levels, government intervenes to alleviate poverty by introducing various programmes such as social grants and indeed programmes that are aimed at making the people self sufficient. This can range from training people in particular skills to placing them in appropriate jobs. A healthy balance between social grants and development services aimed at making people self-sufficient needs to be struck to avoid a situation where people are permanently dependent on handouts. Although equity does proceed naturally from higher economic growth and higher incomes, government still plays a role in this case by ensuring that everybody has access to basic services that they need to survive. Free basic water and electricity are examples of such programmes aimed at improving equity.

The following section identifies the core outputs of the Department of Social Services and Poverty Alleviation. Each of the core outputs identified is based on information extracted from the 2002 budget statement and strategic plan. The targets for each of the planned core outputs identified are then compared with the core outputs that are reported in the annual report for the same period in order to identify gaps between planned and actual performance. For each of the core outputs, a desired socio-economic outcome is identified with a description of how each of the outputs will contribute towards

the achievement of the identified socioeconomic outcome. Note that for some outputs such as social grants, in particular, establishing such a link could be a simple exercise. However, for some other core outputs, it might be difficult to establish a link between such an output and desired socio-economic outcomes. In cases like this, reference will not be made as to how such a core output relate to any socio-economic outcome. But an assessment will still be made of how such a core output contributes to departmental strategic outcomes as well as provincial overall outcomes as described in both the strategic plan and *iKapa elihlumayo* strategy document.

It is possible, but not always the case, that some of the targets set for each of the core outputs identified might not be realistic or too low to make a meaningful contribution to the desired outcomes of government. Each of the core output targets is then reviewed in an effort to adjust them to levels that they will make a significant contribution to the socio-economic outcomes. This is done based on input obtained from departmental officials in the form of interviews. Where responsible departmental personnel could not be reached and it is difficult to come up with an estimated of core desired output without additional information, no desired core outputs are identified. Note that there are some core outputs that are necessary to maintain an acceptable level of the well being of the members of the community. For instance, old age pensions are an entitlement in terms of law and a desired output in this case is 100% coverage. In such cases a desired output will be identified as such based on legislative requirements and independent statistical data rather than departmental inputs.

Performance and efficacy assessment

This section analyses the performance of the Department of Social Services and Poverty Alleviation by identifying core outputs, comparing them with actual performance. In addition to that, desired core output targets are developed based on the input from departmental officials and relevant sources of information. Finally, desired outcomes are formulated describing how each of the core outputs contributes to the socio-economic outcomes of the province as identified in the provincial government strategy document '*iKapa elihlumayo*'. Detailed information in a tabular format is attached on the appendix to this document.

Summary of programme structure

The Department of Social Services and Poverty Alleviation has five programmes, namely:

- Administration;
- Social Assistance Grants;
- Social Welfare Services;
- Development and Support Services; and
- Population Development and Demographic Trends.

The core programmes are social assistance grants, social welfare services and development and support services. These three programmes ensure that social grants are paid in accordance with legislative requirements and that proper support services are

given to individuals so they could be independent and reduce the dependence on social grants. This in principle requires a balance to be struck between paying social grants to fulfil legislative requirements and engaging into projects that will ensure that people are independent and self-sufficient. The department has a rule of thumb, which says that 20% of the total budget should be spent on social development services with the remainder spent on paying social grants. Because of the importance of social grants and social development programmes a large part of this chapter focuses on these.

Programme 3: Developmental social welfare

The department had planned to revise programme funding assessment process to be in line with the revised welfare policy directives that aims at focussing on marginalised communities as identified on the poverty map. At the end of the year, the review and revision process was partially complete at a 50% level. It is important that the department finalises the review and revision process in order to ensure that everybody who qualifies for social grants, especially those from marginalised areas, are targeted and do indeed receive such grants. The alignment of programme funding process with policy directives is crucial in promoting equity by ensuring that those most in need of social grants do have access to them. In addition to that, the fact that qualifying individuals receive income in the form of grants contributes immensely to the reduction of the poverty gap.

The protection of children against abuse and the prevention of crimes committed by children is also one of the core outputs of the department under this programme. The department had planned to develop an integrated community care and protection plan focussing on street children, child sexual exploitation and assistance of children in conflict with the law. At the end of the year, a long-term strategic plan had been developed for the Paarl District. It is important that these plans be developed and implemented for all areas in the province. Again this initiative ensures that equity is promoted as more people in need of these services have access to them. The ultimate result of this is the reduction in the incidence of crimes committed by and against children.

One of the strategic objectives of the Department of Social Services and Poverty Alleviation is to improve the accessibility of social services. In 2002 one of the department's core outputs was rolling out three multi-purpose centres in identified areas. However, by the end of the year, only one multipurpose centre was initiated and was not completed. Although the department has identified funding shortages and management capacities as the main reasons for not reaching the target, it is important that a sufficient number of multipurpose centres are initiated more especially in marginalised areas. This would contribute to the improvement of quality and accessibility of social services to those who live in remote areas. As regards youth care and child protection, the department planned in 2002 to build one secure care centre in Clanwilliam for R15.5 million. The target was reached and this centre is in operational phase.

The department had planned in 2002 to review all projects funded by the State maintenance Grant (SMG) Beneficiary Division. However, at the end of the year, only 84 out of 93 were reviewed. Without such reviews it is possible that some projects might continue to receive funding while they are no longer focussing on the core activities of the department. It is thus desirable that all funded projects be reviewed

periodically with new projects identified in the meantime. This will contribute to improvement in the targeting of projects funded and therefore accessibility of services. Periodic reviews of the projects and determining their relevance to the priorities of the department ensures that social services are integrated.

One of the major functions of Developmental social welfare programme is to improve independence of the grant beneficiaries so they can provide themselves rather than depending on the payouts. In 2002, the department has planned to divert at least 10% of participants in State Maintenance Grant (SMG) towards income generating initiatives. During that year, 5719 women were trained and 3103 were diverted towards income generating activities. This was more than the 10% that the department had originally aimed at. Although most of these employment opportunities are informal the initiative tends to reduce the number of people falling within the poverty gap and also contributes to economic growth.

HIV/AIDS has long-term negative effects on the productivity of individuals and therefore on economic growth. The department planned in 2002 to implement a plan of action for HIV/AIDS that gives effect to the national integrated plan that for children infected with and affected by HIV/AIDS. The department managed to train staff on the children's homes and facilities of early childhood development on the management of HIV/AIDS. This initiative will contribute to the reduction of the incidence and impact of HIV/AIDS and therefore enhancing productivity an economic growth in the long-term.

In its delivery of social services, the department also funds Non-Governmental Organisations (NGOs) that focus on the delivery of its mandated services. In line with the requirements of the department and the requirements of section 38(1)(j) of the Public Finance Management Act (1999) it must assess the NGOs service plans' to ensure that they are in line with its objectives. In line with the requirements of section 38 of PFMA the department must also obtain written assurance from these organisations that they implement effective, efficient and transparent financial management and internal control systems. In 2002 the department had planned to assess the service plans of all NGO partners, reach service level agreements and approve them for funding. Although actual performance for that year was not reported, it is important that all service plans of NGO partners are assessed to ensure that social services are integrated and accessible to all the people. This will also reduce the possibility of funding organisations that offer services not in line with the mission of the department.

Programme 4: Social security

The department considers the physical condition of all social security pay points important and has developed a 13 dashboard criteria to assess the condition of such facilities. In 2002 the department had planned to improve the physical conditions of these pay points in accordance with the dashboard criteria. At the end of the financial year improvements were made at 77 pay points at a cost of R569 874. This contributes directly to the quality and accessibility of social services. However, the department has 293 pay points suggesting that over 200 pay points still need to have their physical conditions improved in line with the 13 criteria on the dashboard. To maintain an acceptable level of service the department is faced with the challenge of covering the remainder of the pay points that are not yet covered and to continuously maintain all pay

points up to the standards set. Using the 2002 costs of maintaining pay points, the department will have to spend R1.5 million to improve the remainder of the pay points. The main output of the department is the processing of grant payments in accordance with legislative requirements. The following are the types of grants that are paid by the department:

Table 5: Grant beneficiaries per grant type in 2003 (Actuals)

Grant types	Number of beneficiaries	Grant value (R per month)	Total (R per month)	Total (R per year)
Old age pension	157 057	700	109 939 900	1 319 278 800
War veterans	1 098	718	788 364	9 460 368
Disability	127 376	700	89 163 200	1 069 958 400
Foster care	23 210	500	11 605 000	139 260 000
Care dependency	5 828	700	4 079 600	48 955 200
Grant in aid	5 257	150	788 550	9 462 600
CSG-care givers	187 182			
CSG- (0-7 years)	213 816	160	34 210 560	410 526 720
CSG- (7-9 years)	28 134	160	4 501 440	54 017 280
Total	561 776	3 788	255 076 614	3 060 919 368

Source: Authors' Personal interview with Department of Health. Authors' calculations

In 2002 the department had planned to increase the take-up rates for child support grant by 90 000 in accordance with national norm. However, actual performance reveals that this national target was exceeded by 110 000 with an increase in the total number of beneficiaries to 467 000 in 2002/03. Associated with the disbursement of grants is the backlog of new grant applications. The department had planned to achieve a zero backlog in respect of social grant applications. However, due to budgetary constraints only 30% of target was achieved. The reduction in the backlogs contributes directly to meeting the objective of promoting accessibility and reducing poverty.

As regards care of the disabled the table above shows that about 127 376 individuals have access to the grants. The department had planned to cancel all cases where medical coverage had elapsed. This was not achieved because of the outcome of the Mashishi case. The department has to fast track the process of issuing letters to beneficiaries whose medical coverage has elapsed notifying them of the expiration and the need to be assessed again to avoid termination of their grants. Although estimates of people received disability grants although they do not qualify are not available, it is likely that significant savings will come from this grant as people who no longer qualify are wiped out of the system. This process improves accessibility of social services and reduces poverty through ensuring that those who are really in need of disability grants do receive them.

Recommendations: 2004/05 – 2006/07 MTEF

The document has reviewed the performance information of the Department of Social Services and Poverty Alleviation by identifying the core outputs of the department and comparing planned targets with actual performance. In addition desired outputs were identified as well as an explanation of the desired outcomes that each of the core outputs will achieve. From the analysis of departmental information, the following recommendations are worth considering:

Outputs and desired outcomes

The budget document of the Department of Social Services and Poverty Alleviation contains information on the outputs and activities of the department. However, descriptions of outputs in some instances need to be clarified including the way in which sentences describing them are phrased. For instance, one of the outputs of the Department of Social Services and Poverty Alleviation is described as follows:

“To strive towards zero-backlog in respect of social grant applications and the processing of new grant applications within 20 working days.”

Although this is a valid output of social services, there is nothing in the budget statement that shows the level of the backlogs. Although the department reported that it achieved 30% of this target at the end of the year, there is nothing to show how many applications were processed. This is important because it has direct implications for the amount disbursed as grants.

Another output of the department is “To develop an Integrated Community Care and Protection Plan concentrating on programmes that will focus on street children, child sexual exploitation, family preservation, children in conflict with the law and a children’s parliament.” Pilot projects were to be implemented focussing on the above. Actual performance shows that the pilot projects are in operational phase. However, what the department does not focus on is the number of children falling under each of the categories that the department wants to focus on. Although in integrated plan and pilot projects are important, they do not tell one about the extent of outputs that are being produced, that is, the number of children that the department is focussing on.

A proper assessment of the link between provincial socio-outcomes and priorities with those of the individual departments requires that there be well-defined outcomes and key performance indicators for each of the outcomes. Most of the outcomes as identified by the departments do not have key performance indicators attached to them. It is, thus, important for departments to develop key performance indicators for outcomes that they identify within their departments. By the same token, it is important for the provincial government to develop key performance indicators for all the socio-economic outcomes that are identified for the province, especially those listed in the province’s strategy document (*iKapa elihlumayo*). In preparing their budget statements, departments could be required to indicate which provincial socio-outcomes their programmes and sub-programmes are contributing towards. This would allow for a direct tracking and comparison of key performance indicators at a department level and those at a provincial government level. It is important to note that the department provided information on how departmental programmes related to provincial outcomes in the 2001/02 strategic plan,

but has decided to exclude such crucial information in the 2002/03 and 2003/04 strategic plans.

The departments could also be asked to identify initiatives by other departments within the provincial sphere that dovetail what they are currently doing or proposing to do to strengthen an integrated approach to service delivery. This is in line with the intentions of *iKapa elihlumayo* strategy. For instance, the Department of Social Services and Poverty Alleviation funds programmes that are aimed at early childhood development while the Department of Education has a separate programme (Programme 7) that focuses entirely on early childhood development. The Department of Education spends about R53 million on this programme, which is about 1% of the total departmental budget. However, neither the budget documents for the Department of Social Services and Poverty Alleviation (DSSPA) nor those of the Department of Education relate to each other's initiatives. It is thus not clear how much resources are spent on early childhood development especially given the fact that the children the two departments relate to are the same individuals. As such at a provincial government level, it is still possible to reallocate funds to areas where they mostly needed by identifying those common areas into which individual departments are spending money without any effort to coordinate their activities.

Budgetary allocations

This section focuses on making recommendations for budgetary reprioritisation within the current budgetary constraint of the department. The report focuses on two principal programmes of the department namely social security and social development services. It is important to note that the budget structure of the department has changed between 2002 and 2003 financial years. What was Programme 3 in 2002 is programme 4 in 2003. Again what was Programme 4 in 2002 is divided between Programmes 2 and 3 in 2003. This new programme structure is shown on the table in the appendix to this chapter.

Programme 3: Development social welfare

One of the core outputs of this programme was the diversion of 10% of the participants in SMG to income generating activities. This target was exceeded by a large margin in 2002 suggesting that the department and its private sector partners could do better than 10% originally planned. In 2003/04 the department has revised performance in this area to 20% of participants in SMG. Expenditure directed towards funding private welfare organisations focussing on SMG was an estimated actual of R268 million targeting 10 000 beneficiaries. This figure has been estimated at R241 million for 2003/04 showing a decline in allocation from 8% of the total departmental budget to 6%.

Table 6: Programme share of total budget

Programmes	2002	2003	2004	2005
Programme 1	0.88	6.78	6.32	6.04
Programme 2	0.15	85.31	86.83	87.69
Programme 3	8.63	6.63	5.79	5.29
Programme 4	85.30	1.14	0.94	0.87
Programme 5	5.04	0.13	0.12	0.12

Note that changes to budget structure have had a significant influence on programme shares. Refer to table on the appendix for names of programmes before and after changing the programme structure.

Source: Authors' calculations from 2001 census data

The department had also planned to establish three multi-purpose centres in 2002. However, because of budgetary and management constraints, only 66% was built during the financial year. The department has planned to expand the multi-purpose centre initiative to other areas within the province. This will require significant increases in financial resources taking account that last year's target was not achieved. The fact that the department and its agents have managed to divert 30% of the beneficiaries of state maintenance grants frees funds for utilisation in other areas. As such focus should be on identifying savings that are made through the reduction of the number of people who are dependent on state maintenance grants so they could be utilised in rolling out multipurpose centres to other areas as well as in AIDS projects.

Programme 4: Social security

The social security programme focuses primarily on the payment of social grants and taking care of the aged. However, for 2003/04 this programme has been split into two with one programme called social grants and the other called social welfare services. The former focuses on the payment of social grants while the latter focuses on the care of the aged and protection of children who have been abused through provision of secure care centres. This subsection identifies potential for budgetary reallocations focusing on three main grants of the department, namely old age pension, disability grant and child support grant. This three grants constitute 90% of expenditure on social assistance grants programme.

Table 1 shows a schedule of grant types that the department pays to various categories of beneficiaries. It shows that about R3 billion is paid in grants for the 2003/04 financial year. This represents about 85% of the total budget of the department and increases to 87% of the total departmental budget by 2005/06. This represents an average annual increase between 2003/04 and 2005/06 of about 8%. As mentioned earlier the department has a 20:80 rule regarding the allocation of the budget to social grants and social development services. The current share shows that this rule has been breached for the current financial year with the situation worsening over the medium term.

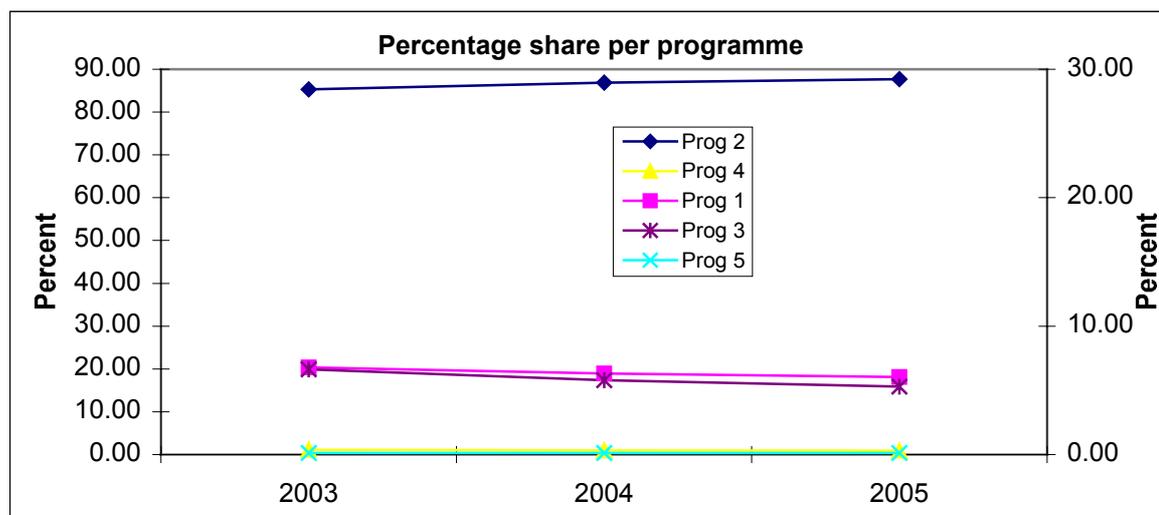
There are several reasons for this trend. Firstly, the introduction of the Child Support Grant in 2000 and the increase in take up rates that came with it exerted pressure on the budget of the department. As a result R268 million was made available in the adjustment budget to take care of the rapid increase in take-up of the Child Support grant. Secondly, beneficiaries of disability grants were supposed to have their grants terminated in line

with the expiry of their medical coverage. However, the Mashishi case has reversed this practice meaning that the department is required to continue paying the beneficiaries until they have been given enough notice. This however is not expected to have a persistent effect since the court ruling itself has a temporary effect. Thirdly, the Child Support Grant has been extended to children under the age of 14 meaning that more children are now eligible for it. This effect manifests itself fully over the medium term. Finally, in the past and in accordance with Regulation 11, new social grant applications were recognised at the date of approval meaning that the beneficiaries would start receiving such grants once they have been approved. The court has ruled that beneficiaries should start getting paid from the date at which they made an application for the grant. An additional amount of R175 million was thus made available to deal with this new legislative requirement. This requirement in itself removes the incentive from the department to delay the processing of grants hoping to postpone their financial impacts.

As regards the Child Support Grant, the department has made a plan for rolling over coverage of eligible children over the MTEF period. The plan is as follows:

- Children under the age of 9 years – 2003/04;
- Children under the age of 11 years – 2004/05;
- Children under the age of 14 years – 2005/06;

Figure 6: Percentage share of programmes on total budget



Source: Authors' calculations from Budget Statement data

Child support grant

As mentioned earlier the CSG has been extended from 6 year to 14 years. This change coupled with the fact that take-up rates rose rapidly in the last two years puts the department in a difficult situation and has led to the breach of its rule of thumb which requires only 80% of the budgetary resources to be allocated to social grants.

The 2002 Expenditure Review maintains that: "It is also very difficult to determine the upper limit with regard to the potential number of eligible children for the Province, mainly because of a lack of proper demographic information, migration patterns between this

and other provinces and regulatory changes impacting on eligibility status. According to recent analysis, approximately 624 000 children fall within the age group 0-6 years within the Western Cape. By the end of August 2002 close to 30% of this total were already receiving the CSG. Poverty and Income indicators would seem to suggest a rough estimate of 50% or 312 000 of the child population being potentially eligible for the CSG.”

Taking the financial implications of the current number of children under the age of 6 that are covered which is R410 526 720 and comparing it with the financial implications of the 320 000 children that potentially qualify (that is, R614 400 000) the financing gap stands at about R203 873 280. This is about 18% of the entire departmental budgetary allocation for the 2003/04 financial year. Given the fact that social grants are entitlements and that the social grant programme already consumes 85% of the total departmental budgetary allocation, it is not possible to cover this gap within the current budgetary allocation. This increase in the number of beneficiaries needs to be financed through additional budgetary allocation.

The 2001 census has also generated a new set of data for children under the age of 14 that differ from the previous census data. With the extension of eligible children from the age of 6 to 14, this puts further pressure on the financial resources of the department. The 2001 census data suggests that 568 592 children fall under the age of 6, a further 246 153 have their age ranging from 7 to 9 (which is what the department has committed itself to cover in 2003/04), 174 234 within the age of 10 and 11 years, and 247 717 fall within the age of 12 and 14 years.

Table 7: Projections of the number of eligible children and financial implications over the MTEF (Based on 2001 census data)

Eligible age cohort	Child Population (growth 1.98%)	grant (6% growth)	Total (R)	Total yearly (R)	Current gap (R)
2003 (0-6)	284 296	160	45 487 360	545 848 320	46 458 320
2003 (7-9)	123 077	160	19 692 240	236 306 880	178 951 880
Total	407 373		65 179 600	782 155 200	225 410 200
2004 (0-6)	287 989	170	48 842 893	586 114 716	-69 234 284
2004 (7-9)	121 589	170	20 670 045	248 040 540	73 579 540
2004 (10-11)	85 238	170	14 490 375	173 884 500	178 806 256
Total	494 815		84 003 313	1 008 039 756	183 151 512
2005 (0-6)	291 898	180	52 600 061	631 200 736	-75 271 264
2005 (7-9)	122 389	180	22 030 020	264 360 240	-63 969 760
2005 (10-11)	82 214	180	14 798 430	177 581 160	-316 822 184
2005 (12-14)	129 051	180	23 229 090	278 749 080	-38 073 104
Total	625 551		112 657 601	1 351 891 216	-494 136 313

Source: Authors' calculations from 2001 census data

The table shows that based on the voted amount of money for Child Support Grant in the 2003/04 financial year, a deficit of R225 million will be incurred if the census data correctly projects the number of children falling under the age of 9. Again this amount cannot be covered from the current budgetary allocation unless Treasury allocates additional funds. However, the actual shortfall depends on how many people do in fact

apply for Child Support Grant. If most of the children qualifying for the grant do not take it up, then it is likely that they will take it up over the MTEF cycle, primarily because the department has embarked on an aggressive strategy to market its services. If this happens, then the department will effectively save because grants that should have been paid in 2003/04 and 2004/05 will only be paid after 2004/05. As a result the deficits that the department could incur in the earlier years would have been avoided. In this case the overall surplus for child support grant by the end of 2005/06 will be about R85 million. If all eligible children take up the grant this year and the department is accommodated for such an increase, the MTEF projections on the table above shows that the department will have a surplus of R494 million by the end of 2005/06 which could be made available to fund other grants where there is a shortfall. Thus the ultimate result depends on what actually happens with the take-up rates and whether the department is accommodated for increases in take-up rates or not.

Table 8 presents sensitivity analysis results for the child support grant show that even if the census data were a 25% overestimate of the true number of people who qualify for child support grant%, the department would still be in a deficit for 2003/04. That is, if the actual number of children eligible were 305 529 instead of 407 373 based on the 2001 Census data. This result would hold if all other eligible children do apply for such a grant and their applications are processed on time. However, the results show that if the census data overestimate the true number of eligible children by 30% or more and all eligible children take up such a grant, the department would manage to accommodate such an increase in demand. This is equivalent to saying that if the current average number of child support grant beneficiaries were to increase by 43 211 or 17.85%, the department would still manage to accommodate them without incurring a shortfall under this grant. To remain within the budget the estimation errors would have to be 20% and 25% in 2003/04 and 2004/05, respectively, assuming that all potentially eligible children do indeed take up the grants. The breakeven point for child support grant is a monthly average of 289 971 beneficiaries. This is compared to the current actual monthly average of 241 950 beneficiaries.

Disability grant

Disability grants are paid to disabled persons in terms of the Social Assistance Act (1992) to persons over the age of 18 who are medically diagnosed as being disable. Currently the department pays disability grants to 127 376 beneficiaries at a rate of 700 per person per month. This brings the total payment for 2003/04 financial year to just over R1 billion and is the second largest grant after old age pension in terms of nominal value.

The 2001 census data has provided new estimates of the number of disabled persons within the province. Table 4 provides data for such estimates.

Table 8: Number of people with disability

Disability	Persons
Sight	34282
Hearing	26492
Communication	6432
Physical	53752
Intellectual	20239
Emotional	21991
Multiple	23661
Total	186 849

Source: Census data 2001

The table shows that about 186 849 persons have disabilities of various types. This figure is significantly higher than what the department is now covering. Table 5 shows the financing gap for disability grants based on the 2001 census data.

Table 9: Disability grant beneficiaries over the MTEF cycle

Year	Grant beneficiaries	Total monthly	Total yearly	Current gap
2003	186 849	130 794 300	1 569 531 600	521 956 600
2004	190 549	141 387 069	1 696 644 825	497 232 825
2005	194 321	152 837 725	1 834 052 696	583 113 696
Total	571 719	425 019 093	5 100 229 122	1 602 303 122

Source: Authors' calculations from 2001 census data

The table shows that the gap between what is currently provided for in the budget and the new estimates of disabled people is about R521 million for the 2003/04 financial year. This figure increases to R493 and R583 million in the 2004/05 and 2005/05 financial years, respectively. Again whether this gap is realised depends on the accuracy of census data and on whether the people do indeed apply for these grants. If a significant number of people apply for these grants, then the department will have to be accommodated by increasing budgetary allocations in line with the take up rates. The department has already indicated that it will fail to breakeven for disability grants in the 2003/04 financial year primarily because of the decision to reverse cancellations of those grants beneficiaries whose medical coverage has expired.

Table 10 in the appendix presents sensitivity analysis results for disability grants. The table shows that even if the census data overestimated the number of people who are disabled by 30%, the department would still be in a deficit for 2003/04 if all other potential beneficiaries were to take up the grant. That is, if the true number of potential beneficiaries were a monthly average of 130 794 compared to the current monthly average 127 376. The breakeven point for disability grants based on the 2003/04 voted budgetary allocation is a monthly average 124 711 beneficiaries. This magnitude of estimation error decreases to 30% in 2004/05 and increases to 50% in 2005/06.

Old age pension

Old age pension is paid to the elderly who are over the age of 60. For women, the lower limit for accessing old age pension is 60 years while for men it is 65 years. The department is currently paying old age pension to about 157 057 pensioners at a cost of 700 per person per month. This brings the total cost for this grant for the entire year to about R1,3 billion, being the largest grant that the department is paying.

Again Census 2001 data suggest that the number of old people who qualify for old age pension is significantly higher in the Western Cape. The following table reveals the picture.

Table 10: Old age pension

Year	Grant beneficiaries	Total monthly (R)	Total yearly (R)	Current gap (R)
2003/04	298 321	208 824 700	2 505 896 400	1 458 321 400
2004/05	307 599	228 238 297	2 738 859 565	1 539 447 565
2005	317 165	249 456 699	2 993 480 383	1 742 541 383
Total	923 085	686 519 696	8 238 236 348	4 740 310 348

Source: Authors' calculations from 2001 census data

The table shows that the gap for 2003/04 stands at about R1.4 billion. This gap increases to R1.5 and R1.7 billion in 2004/05 and 2005/06, respectively. As mentioned already the social grants programme is the largest of the programmes within this department as it consumes over 85% of the total budget over the entire MTEF cycle. Although the child support grant sub-programme shows a surplus in the 2005/06 financial year, the magnitude is so small compared to the deficit that will be incurred under the old age pension sub-programme. As such any potential increase in the take-up rates by old age pensioners will have to be accommodated by an increase in the budget allocations to this department.

Table 9 on the appendix presents sensitivity estimate results for old age pension. The table shows that the department would still be in a deficit with respect to this grant even if the census data were to overestimate the true number of people eligible for old age pension by 45% in 2003/04 financial year. That is, if the actual number of the elderly who qualify for the old age pension is a monthly average of 164 076. The breakeven point for old age pension for 2003/04 based on voted budgetary allocations is a monthly average of 155 200 pensioners.

Conclusion

This chapter has identified the core outputs for and reviewed the performance of the Department of Social Services and Poverty Alleviation. It was found that most of the outputs reported in the budget statements 2002 are in fact not outputs, but some measure of inputs. The chapter has identified appropriate outputs in the recommendations and has undertaken an analysis of financial gap for each of the core outputs. It is important to note that the 2003 budget statement identifies correct core outputs and provides targets for each of them.

On the whole, a safe conclusion can be made that an increase in budgetary allocations is necessary for this department to keep up with high take-up rates in light of the new census data.

References

Department of Health (2001) Health status and health services evaluation report, Provincial Administration of the Western Cape

STATSSA (2003) Census database

Western Cape Provincial Treasury (2002) Budget statement 2, Provincial Government of the Western Cape

Western Cape Provincial Treasury (2003) Budget statement 2, Provincial Government of the Western Cape

Core outputs and desired outcomes

Table 11: Core outputs, desired outputs and desired outcomes

Programme 3: Developmental Social Welfare

Sub-programme 3.1: Policy and Legislation				
Measurable objective: The development of social welfare policy in consultation with stakeholders to ensure a comprehensive appropriate and affordable service delivery system.				
Core outputs (current)	Performance Review		Core Outputs (desired)	Desired outcomes
	Planned Targets	Actual Targets		
To align programme funding assessment processes with revised social welfare policy directives to reflect a change in focus towards funding directed at marginalised communities identified on the department's poverty map.	Agreement is reached with Research Unit about the level of data required and time frames to finalise the plan	Agreement is reached with Research Unit about the level of data required and time frames to finalise the plan. 50% complete	Programme funding assessment processes aligned with social welfare policy directives	Reduction in the number of people falling under the poverty gap
To develop an Integrated Community Care and Protection Plan concentrating on programmes that will focus on street children, child sexual exploitation, family preservation, children in conflict with the law and a children's parliament	<p>A strategic plan for development of the Community Care and Protection Plan in the Paarl district is in place</p> <p>Pilot projects on appropriate street children, sexually exploited children, youth in conflict with the law and family preservation is being tested.</p>	<p>A long-term strategic plan has been developed. Institutional mechanisms to drive the 4 pillars of the strategic plan have been put into place</p> <p>Five area teams consisting of the department and civil society have been established</p> <p>Buy-in into the vision of the Community Care has been received by political leadership of local authorities throughout the province</p> <p>Pilot projects on street children, youth in conflict with the law, sexually exploited children and family preservation are in operational phase</p>	Integrated community care and protection plans developed for all areas within the province	Reduction in the incidence of crimes committed by and committed against children

Sub-programme 3.2 Programme Development				
Measurable objective: Identifying and planning programmes and projects for the department that will give effect to national and provincial policies and priorities that will serve as prototypes for transformation and a developmental approach for service delivery.				
Core outputs (current)	Performance Review		Core Outputs (desired)	Desired outcomes
	Planned Targets	Actual Targets		
To roll-out the multi-purpose centre implementation programme, increasing its number from 13 to 16	The establishment of 3 multi-purpose centres in identified areas	One multi-purpose centre was initiated and is still in the planning phase due to funding and management shortages. 66% complete	Establish multi-purpose centres in other areas	Improvement in the accessibility and quality of social services
To establish a rural secure care centre in Clanwilliam	Tender for building completed and actual building in operational stage	Building in operational phase	Establish secure care centres in other areas	Improvement in the accessibility and quality of social services

Sub-programme 3.3 Programme Funding				
Measurable objective: Efficient and effective administration of transfer funding to service providers in the welfare and NGO sector to ensure services are delivered in areas of highest priority and greatest need.				
Core outputs (current)	Performance Review		Core Outputs (desired)	Desired outcomes
	Planned Targets	Actual Targets		
To review projects funded by the State Maintenance Grant Beneficiary Division Programme and to identify potential projects for future funding.	All projects reviewed according to stated criteria	84 of the 93 projects funded under the SMG programme were reviewed using the stated criteria	Review all projects funded under SMG	Improvement in the accessibility and quality of social services Improvement in the integration of social services Reduction in the poverty gap
	At least 10% of participants in all SMG projects are diverted towards income generating initiatives.	5719 women trained, 3103 out of 10 000 diverted towards income generation initiatives (this includes formal employment). This exceeded the 10% performance target set by 21 percentage points.	At least 30% of participants in all SMG projects are diverted towards income generating activities	Improvement in employment Reduction in individuals under the poverty gap Promote equity
To continue the process of building capacity of early childhood development facilities to manage more efficiently.	710 individuals from 335 ECD sites are trained.	688 individuals from 313 sites were trained.	All individuals from 335 ECD facilities are trained	Improvement in skills levels and productivity thereby contributing to high quality of social services

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Sub-programme 3.3 Programme Funding <i>(Continued)</i>				
Measurable objective: Efficient and effective administration of transfer funding to service providers in the welfare and NGO sector to ensure services are delivered in areas of highest priority and greatest need.				
Core outputs (current)	Performance Review		Core Outputs (desired)	Desired outcomes
	Planned Targets	Actual Targets		
The department has an HIV/Aids action plan that gives effect to the national integrated plan for children infected and affected by HIV/Aids	Business plans approved and funds transferred	The department was one of the 5 departments that spent its entire allocation for the financial year. Training on the management of HIV/Aids provided to staff, staff of children's homes and early childhood development facilities.	HIV/AIDS action plan fully-implemented	Reduction in the incidence and impact of HIV/AIDS

Sub-programme 3.4 Programme Assessment				
Measurable objective: To consider and make recommendations regarding financing of applications submitted by the NGO sector				
Core outputs (current)	Performance Review		Core Outputs (desired)	Desired outcomes
	Planned Targets	Actual Targets		
Service plans of NGO partners are assessed and approved for funding	Service level agreements		Service plans of all NGOs are assessed and decision taken on whether to approve or not	Social services are integrated Social services are accessible

Programme 4: Social security

Sub-programme 4.1 Administration				
Measurable objective: Administer policy regarding social security.				
Core outputs (current)	Performance Review		Core Outputs (desired)	Desired outcomes
	Planned Targets	Actual Targets		
To improve the physical condition of all social security pay points	Improvement of pay-points to meet the 13 dashboard criteria	Improvements at 77 paypoints to the value of R569 874,56 were done to established pay points. The improvement includes: Providing additional chairs; building of toilets, basins and ramps; repairing/revamping and painting of buildings and roofs; fencing and gates; and paving	Fully maintain facilities at all pay points	Social services are accessible and are of high quality
To ensure the establishment of helpdesks at 293 paypoints to ensure greater accessibility for the community to social security services.	Establish help desks at all Allpay pay-out points Trained helpdesks staff to provide quality information to community Finalisation of enquiries referred to the district offices by the helpdesks within 25 working days	Helpdesks established at Allpay pay out points 46 Helpdesks staff trained by the Department and Allpay to operated helpdesks. Helpdesks at 293 pay-points in the Western Cape established successfully. Official appointed by Social Security Directorate to ensure that enquiries referred to district offices from the helpdesks are dealt with within the acceptable norm.	Help desks are fully functional	Social services are accessible and are of high quality

Sub-programme 4.1 Administration <i>(Continued)</i>				
Measurable objective: Administer policy regarding social security.				
Core outputs (current)	Performance Review		Core Outputs (desired)	Desired outcomes
	Planned Targets	Actual Targets		
To increase the number of social security counter services points from 154 to 170.	Establishment of 16 additional counter services points	29 additional counter services points were established in the following regions: Paarl(4) Atlantis(3) Mitchells Plain(4) Athlone(3) Oudtshoorn(3) Bellville(2) Worcester(7)	Counter services available in all regions	Social services are accessible Social services are of high quality Improvement in the safety and poverty of the communities
To implement the outcome/settlement in respect of the validation of regulation 11(High Court of South Africa, Transvaal Provincial Division) CAE no 30368/2000	Disbursement of R144 million beneficiaries and ex-beneficiaries who successfully applied for a grant after March 1998 and whose grants were not put into payment from the date they applied for the grant.	In total back pay to the value of R51.3 million was paid out.	Grant payments are disbursed to all qualifying beneficiaries	Improve accessibility of social services; Appropriate social services are provided

Sub-programme 4.2 Child and Family Care				
Measurable objective: Payment of parent, child, foster child and child support grants as well as placement in private places of safety.				
Core outputs (current)	Performance Review		Core Outputs (desired)	Desired outcomes
	Planned Targets	Actual Targets		
To implement a marketing strategy relating to all types of grants available, payout cycles, new and amended legislation.	Increase the number of children dependent on the Child Support Grant according to the national norm of 90 000 children	The number of grants in payment increased to approximately 467 000 during 2002/03. National target was exceeded by more than 110 000.	Disburse grants to all qualifying children	Reduction in the poverty gap. Social services are accessible. Adequate social services are delivered. Social services are of high quality. Promotion of equity.
To strive towards zero-backlog in respect of social grant applications and the processing of new grants applications within 20 working days.	Decrease the number of days for processing of new grant applications from 35 to 25 working days.	Due to rapid increase in the number of new grant applications and the limited personnel available to process the applications backlogs increased. 30% achieved.	Eliminate backlogs relating to child and family care	Reduction in the poverty gap. Social services are accessible. Adequate social services are delivered. Social services are of high quality. Promotion of equity.

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Sub-programme 4.3 Care of the Aged				
Measurable objective: Payment of grants to the aged, care dependency and grants-in-aid to people taking care of older persons.				
Core outputs (current)	Performance Review		Core Outputs (desired)	Desired outcomes
	Planned Targets	Actual Targets		
To strive towards zero-backlog in respect of social grant applications and the processing of new grants applications within 20 working days.	Decrease the number of days for processing of new grant applications from 35 to 25 working days.	Due to rapid increase in the number of new grant applications and the limited personnel available to process the applications backlogs increased. 30% achieved.	Eliminate backlogs relating to care of the aged	Reduction in the poverty gap Social services are accessible Adequate social services are delivered Social services are of high quality Promotion of equity

Sub-programme 4.4 Care of the disabled				
Measurable objective: Payment of grants to the disabled, care dependency grants and grants-in-aid to people taking care of disabled persons.				
Core outputs (current)	Performance Review		Core Outputs (desired)	Desired outcomes
	Planned Targets	Actual Targets		
To cancel temporary disability grants where the medical coverage has lapsed	<p>Sending out cancellation notices to affected beneficiaries 90 days prior to the cancellation of their grants</p> <p>Arranging appointments for affected beneficiaries with medical officers for medical assessment and district offices for re-applications.</p> <p>Appointing medical officers to perform assessments according to program.</p> <p>Taking down re-applications in order for eligible beneficiaries to again receive grants within 30-day period.</p>	<p>Approximately 54 000 cancellation notification letters were sent to beneficiaries indicating: Date of lapsing of grant; Month of last payment; Appointment date with medical officers; Appointment date at district office</p> <p>Affected beneficiaries were assessed by appointed medical officers in all fourteen districts (hospitals and clinics) Cancellations with effect from February 2003 were affected and re-applications were taken down for the specific month</p>	All grants are reassessed and either approved or cancelled accordingly	Social services are accessible and appropriate

Sub-programme 4.4 Care of the disabled <i>(Continued)</i>				
Measurable objective: Payment of grants to the disabled, care dependency grants and grants-in-aid to people taking care of disabled persons.				
Core outputs (current)	Performance Review		Core Outputs (desired)	Desired outcomes
	Planned Targets	Actual Targets		
	Processing applications in order for eligible beneficiaries to again receive grants within 30-day period.	Due to the Mashihi case the process of cancellations were halted. Cancellations for February 2003 were put back in payment on the system District offices were given the task to manually scrutinise each case to be cancelled to ensure that the administrative process was correct.		
To strive towards zero-backlog in respect of social grant applications and the processing of new grants applications within 20 working days.	Decrease the number of days for processing of new grant applications from 35 to 25 working days.	Due to rapid increase in the number of new grant applications and the limited personnel available to process the applications backlogs increased. 30% achieved.	Eliminate backlogs relating to care of the disabled	Reduction in the poverty gap Social services are accessible Adequate social services are delivered Social services are of high quality Promotion of equity

Programme 5: Customer services

Sub-programme 5.1 Management of customer services				
Measurable objective: To ensure the effective functioning of district offices and facilities through strategic planning, strategic planning control, control over financial systems, personnel development and utilisation of resources.				
Core outputs (current)	Performance Review		Core Outputs (desired)	Desired outcomes
	Planned Targets	Actual Targets		
To increase the accessibility of services through the establishment of 2 new district offices in Gugulethu and Caledon	2 new district offices established	Achieved 40% due to changing priorities and limited resources. 1 new district office in Caledon in final stage-building to be handed over in May 2003. The new district office building in Gugulethu will be ready in October 2003.		Improve accessibility of social services, appropriateness and quality

Sub-programme 5.1 Management of customer services <i>(Continued)</i>				
Measurable objective: To ensure the effective functioning of district offices and facilities through strategic planning, strategic planning control, control over financial systems, personnel development and utilisation of resources.				
Core outputs (current)	Performance Review		Core Outputs (desired)	Desired outcomes
	Planned Targets	Actual Targets		
To increase the accessibility of services through the establishment of 2 local offices	2 new local offices	Local offices not established. The Directorate Research and Development is assisting in establishing which are would be most appropriate in terms of needs to locate the local offices.	Establish two new local offices	Improve accessibility of social services, appropriateness and quality
To increase the accessibility of services through the establishment of 12 new service points.	12 new service points	12 new service points	Sufficient number of service points available	Improve quality and accessibility of services
To increase the accessibility of services through the establishment of 16 new counter services	16 new counter services	16 new counter services	Sufficient number of counter services available	Improve quality and accessibility of services
To increase the accessibility of services through the establishment of helpdesks at pay out points	Establish help desks at all Allpay pay out points	Helpdesks established at Allpay pay out points	Help desks available at all pay-out points	Improve quality and accessibility of services

Sub-programme 5.2 District Service Delivery				
Measurable objective: The implementation of policy and strategies to render a comprehensive, cost-effective and accessible social welfare service in partnership with stakeholders according to the needs of the specific communities through a developmental approach.				
Core outputs (current)	Performance Review		Core Outputs (desired)	Desired outcomes
	Planned Targets	Actual Targets		
To implement a developmental quality assurance pilot programme for the assessment of 60% of welfare organizations funded by the department	A completed report on the pilot	Report not completed, will be ready by June 2003. The implementation of the developmental quality assurance pilot was reviewed.. The team of assessors was appointed during February 2003 and after intensive training started a pilot at 40 organisations during March 2003. The pilot report will ready by June 2003.	All welfare organisations funded by the department fully-assessed	Appropriate and adequate social services are provided Quality social services are provided Social services are accessible
To ensure social services of a high standard through monitoring	Monthly reports on 0800 number Quarterly review sessions 1 customer feedback survey 1 pilot report	Monthly reports on 0800 number received Review sessions held during first three quarters - monitoring of functioning of District Advice Committees included these. 4 th quarter not held due to impact of restructuring and the position of new District Office managers A telephonic survey was done where district offices were phoned at random times to establish how phones are answered, how long it took for phones to be answered and how they respond to different kinds of problems posed.	High quality social services provided in accordance with established social service standards	Improve standards of social services

Sub-programme 5.2 District Service Delivery (<i>Continued</i>)				
Measurable objective: The implementation of policy and strategies to render a comprehensive, cost-effective and accessible social welfare service in partnership with stakeholders according to the needs of the specific communities through a developmental approach.				
Core outputs (current)	Performance Review		Core Outputs (desired)	Desired outcomes
	Planned Targets	Actual Targets		
		Pilot not completed. A consultant was appointed to assess funded organizations. As part of this process a team monitoring this process will be put in place.		
To implement service delivery indicators	Monthly statistics on e.g.: Number of children in prison; Number of beneficiaries in backlog; time utilized to process social security applications	Statistics are submitted on a monthly basis and dealt with during operational reviews	Monthly statistical reports are published	Social services of high quality and standard

Budget Structure Changes

2002/05 Strategic Plan/2002 Budget Statement	2003/06 Strategic Plan/2003 Budget Statement
Programme 1: Administration Sub-programme 1.1: Office of the Provincial Minister Sub-programme 1.2: Management Sub-programme 1.3: Corporate Services Sub-programme 1.4: Internal Control	Programme 1: Administration Sub-programme 1.1: Office of the Provincial Minister Sub-programme 1.2: Provincial Management Services Sub-programme 1.3: Regional District Management Sub-programme 1.4: Facility Institutional Management
Programme 2: Research and Development Sub-programme 2.1: Social Research Sub-programme 2.2: Population Development Sub-programme 2.3: Strategic Planning Sub-programme 2.4: Social Marketing, Communication and Information	Programme 2: Social Assistance Grants Sub-programme 2.1 Administration Sub-programme 2.2: Old Age Sub-programme 2.3: War Veterans Sub-programme 2.4: Disability Sub-programme 2.5: Grants in aid Sub-programme 2.6: Foster Care Sub-programme 2.7: Care Dependency Sub-programme 2.8: Child Support Grant (0-6) Sub-programme 2.9: Child Support Grant (7-14) Sub-programme 2.10 Relief of distress

2002/05 Strategic Plan/2002 Budget Statement	2003/06 Strategic Plan/2003 Budget Statement
Programme 3: Developmental Social Welfare Sub-programme 3.1: Policy and Legislation Sub-programme 3.2: Programme Development Sub-programme 3.3: Programme Funding Sub-programme 3.4: Programme Assessment	Programme 3: Social Welfare Services Sub-programme 3.1: Administration Sub-programme 3.2: Treatment and Prevention of substance abuse Sub-programme 3.3: Care of the aged Sub-programme 3.4: Crime Prevention, Rehabilitation and Victim Empowerment Sub-programme 3.5: Service to the Disabled Sub-programme 3.6: Child and Youth Care Protection
Programme 4: Social Security Sub-programme 4.1: Administration Sub-programme 4.2: Child and Family Care Sub-programme 4.3: Care of the aged Sub-programme 4.4: Care of the Disabled Sub-programme 4.5: Relief of Distress	Programme 4: Development and Support Services Sub-programme 4.1: Administration Sub-programme 4.2: Youth Development Sub-programme 4.3: HIV/Aids Sub-programme 4.4: Poverty Alleviation Sub-programme 4.5: Food Relief Grant Sub-programme 4.6: NPO and Welfare Organisation Development
Programme 5: Population Development and Demographic Trends Sub-Programme 5.1: Management of Customer Services Sub-Programme 5.2: District Service Delivery	Programme 5: Population Development and Demographic Trends Sub-programme 5.1: Administration Sub-programme 5.2: Population Research& Demography Sub-programme 5.3: Capacity Building

Sensitivity analysis

Table 12: Sensitivity analysis: Child Support Grant

Sensitivity analysis: Child support grant financing gap									
Estima- tion error	2003/04			2004/05			2005/06		
	0-6 years	7-9 years	Total	0-6 years	7-14 years	Total	0-6 years	7-14 years	Total
10%	101043152	202583624	303626776	-9101684	289658788	280557104	-12922352	464431904	451509552
5%	73750736	190768232	264518968	-38476562	268562434	230085872	-44447336	428397272	383949936
0	46458320	178951880	225410200	-69234284	247464040	178229756	-75271264	128000240	52728976
-5%	19165904	167137448	186303352	-97226318	226369726	129143408	-107497304	356328008	248830704
-10%	-8126512	155322056	147195544	-126601196	205273372	78672176	-139022288	320293376	181271088
-15%	-35418928	143506664	108087736	-155976074	184177018	28200944	-170547272	284258744	113711472
-20%	-62711344	131691272	68979928	-185350952	163080664	-22270288	-202072256	248224112	46151856
-25%	-90003760	119875880	29872120	-214725830	141984310	-72741520	-233597240	212189480	-21407760
-30%	-117296176	108060488	-9235688	-244100708	120887956	-123212752	-265122224	176154848	-88967376
-35%	-144588592	96245096	-48343496	-273475586	99791602	-173683984	-296647208	140120216	-156526992
-40%	-171881008	84429704	-87451304	-302850464	78695248	-224155216	-328172192	104085584	-224086608
-45%	-199173424	72614312	-126559112	-332225342	57598894	-274626448	-359697176	68050952	-291646224
-50%	-226465840	60798920	-165666920	-361600220	36502540	-325097680	-391222160	32016320	-359205840
-55%	-253758256	48983528	-204774728	-390975098	15406186	-375568912	-422747144	-4018312	-426765456
-60%	-281050672	37168136	-243882536	-420349976	-5690168	-426040144	-454272128	-40052944	-494325072

Old age pension

Table 13: Sensitivity analysis – old age pension

Sensitivity analysis - old age pension financing gap			
Estimation error	2003/04	2004/05	2005/06
10%	1452801040	1434219760	1413520600
5%	1327506220	1305028180	1280311300
0	154636400	235762565	438856383
-5%	1076916580	1046645020	1013892700
-10%	951621760	917453440	880683400
-15%	826326940	788261860	747474100
-20%	701032120	659070280	614264800
-25%	575737300	529878700	481055500
-30%	450442480	400687120	347846200
-35%	325147660	271495540	214636900
-40%	199852840	142303960	81427600
-45%	74558020	13112380	-51781700
-50%	-50736800	-116079200	-184991000

Disability grant

Table 14: Sensitivity analysis - disability grant

Sensitivity analysis - disability grant financing gap			
Estimation error	2003/04	2004/05	2005/06
10%	678909760	561260760	4031744560
5%	600433180	481230180	3791622580
0	521956600	497232825	583113696
-5%	443480020	321169020	3311378620
-10%	365003440	241138440	3071256640
-15%	286526860	161107860	2831134660
-20%	208050280	81077280	2591012680
-25%	129573700	1046700	2350890700
-30%	51097120	-78983880	2110768720
-35%	-27379460	-159014460	1870646740
-40%	-105856040	-239045040	1630524760
-45%	-184332620	-319075620	1390402780
-50%	-262809200	-399106200	1150280800
-55%	-341285780	-479136780	910158820
-60%	-419762360	-559167360	670036840
-65%	-498238940	-639197940	429914860
-70%	-576715520	-719228520	189792880
-75%	-655192100	-799259100	-50329100
-80%	-733668680	-879289680	-290451080
-85%	-812145260	-959320260	-530573060
-90%	-890621840	-1039350840	-770695040
-95%	-969098420	-1119381420	-1010817020

AGRICULTURE

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Glossary/Abbreviations

- DLA : Department of Land Affairs
- WC DoA : Western Cape Department of Agriculture
- GATT : General Agreement on Tariff and Trade
- GEAR : Growth, Employment and Redistribution – macro economic strategy
- NDA : National Department of Agriculture

Executive Summary

- Within *iKapa elihumayo*, the agricultural sector has been identified as one of the lead economic sectors due to its impact on rural poverty, economic growth and job creation.
- Since 1994, the South African agricultural sector has experienced a major shift in government policy. This shift includes the deregulation of the sector, increased trade liberalisation, emphasis on an export driven growth strategy, the introduction of the land and labour reform programmes and public sector restructuring.
- An important aspect of the institutional restructuring of the public sector is the 'provincialisation' of the activities of the National Department of Agriculture (NDA). In terms of the Constitution, agriculture is a concurrent responsibility, shared between national and provincial government. The role of the NDA is to provide national level policy leadership with the provinces increasingly being responsible for the provision of public goods and services.
- The nature and extent of the public goods and services provided by the Western Cape Department of Agriculture (WC DoA) are driven by its stated policies. These policies are derived from national and provincial policy statements such as the i) Western Cape Fiscal Policy 2003-2006, ii) the Strategic Plan for South African Agriculture 2002 and iii) the WC DoA Strategic Plan 2003/04-2005/06.

Western Cape Fiscal Policy 2003-2006: In December 2001 the Western Cape Government revised and expanded its strategic framework for policy formulation and ten separate strategic goals were identified for the government to work towards. One of these articulated goals is to focus on agriculture and tourism as a driver of rural development so that all inhabitants of the province can live harmoniously and in safety.

Strategic Plan for Agriculture: Finalised in 2002, the "Strategic Plan for South African Agriculture" singled out the important need to promote more equitable participation in the agricultural sector and the need to provide land reform beneficiaries with a comprehensive and integrated range of support services.

Western Cape Department of Agriculture Strategic Plan 2003/04-2005/06: The vision of the Department of Agriculture is to create an agricultural sector that is "global success, competitive, inclusive and in balance with nature" The policy priorities identified for 2003-2004 include i) the need to ensure equal access to participation in agriculture and to stimulate sustainable rural development, ii) the need to increase the competitiveness of all agricultural producers on the local level as well as the national and international levels and iii) the need to conserve the natural resources available to use in order to ensure that generations to come can still benefit from them.

Technology Development and Transfer Programme: There is a clear recognition within this programme of the need to develop, transfer and support appropriate technology aimed at emerging farmers in the Western Cape. The need to realise this objective while continuing to serve existing farmers has to be emphasised. While the Technology Transfer (extension) sub-programme has received a significant increase in its MTEF allocation, the Technology Development and Agricultural economics sub-programmes have not. While part of the expenditure gap can be addressed through re-prioritisation of existing activities, an MTEF increase would be desirable.

Agricultural Engineering: The activities of this programme revolve around resource conservation and the supply of agricultural engineering services (particularly water use and conservation). At this stage the demand for such services, particularly soil conservation works and irrigation scheme evaluations are particularly high. Given the impact of this programme on the long-term environmental sustainability of the Province's agricultural resource base, an increase in overall funding is recommended.

Veterinary Services: During the 2003/04 financial year the Veterinary Services programme restructured its activities in order to comply with the increasing local and international demand for food safety assurances. The programme received an increase in its MTEF allocation to effect the necessary output changes.

Agricultural Training: This programme provides formal and further education training (FET) to prospective and existing farmers in the province. With respect to *formal training* there is a need to expand the activities of the Agricultural College as the demand for enrolment outstrips the current supply. Furthermore the racial composition of the current student group enrolled at Elsenburg does not reflect the demographics of the Western Cape. One of the main reasons cited is the lack of bursaries the College is able to offer HDIs. In terms of *FET*, at this stage the activities of this sub-programme are focused on the needs of emerging farmers and farm workers there is however also a need to promote lifelong learning or FET amongst existing commercial farmers. This will become increasingly important as opportunities for product diversification increase.

Farmer Settlement: The Farmer Settlement Programme was established in January 2002 with the objective to facilitate and co-ordinate the settlement, support and development of emerging farmers in the Western Cape. With respect to *land reform*, it is envisaged that the Department will assist the Provincial office of the Department of Land Affairs (DLA) to settle 7000 black farmers over the next 5 years. The ability to realise this goal will depend on the DLA making the necessary budget available and alternative provincial funding mechanisms and strategies to facilitate land delivery will have to be considered. This programme is also responsible for the provision of *infrastructure* to emerging farmers however the programme receives a large number of requests for agricultural inputs from land reform beneficiaries. The possibility of the WC DoA providing an input supply package and/or interest free production credit to land reform beneficiaries should urgently be considered.

Introduction

The 2003 Budget of the Western Cape Province introduced the *iKapa elihumayo* concept. *iKapa elihumayo* is a strategic framework for growing the Western Cape economy through promoting socio-economic activities that reduce disparities, raise skills levels, increase per capita incomes and generate productive employment opportunities. The core thrust of this strategy is to redirect the limited fiscal resources the Province has at its disposal to serve as a pro-poor economic growth catalyst. (Western Cape, 2003).

Within *iKapa elihumayo*, the agricultural sector has been identified as one of the lead sectors for a number of reasons. First, agriculture is the main economic activity in the rural areas of the Province where poverty is the deepest. Secondly the agricultural sector in the Western Cape has proved itself to be internationally competitive and demonstrated strong forward and backward linkages with the rest of the economy and especially export growth. Finally agriculture is a significant provider of unskilled and semi-skilled employment opportunities in rural areas (Western Cape 2002a).

The capacity of the Western Cape agricultural sector to promote growth and reduce poverty can partly be attributed to the dramatic shift in South African agricultural policy that has occurred since 1994. The main highlights of this policy shift include:

- **Deregulation:** In order to promote efficiency and competitiveness, the *marketing of agricultural products was deregulated* and the Control Boards set up to administer marketing schemes were all systematically dissolved by 1998.
- **Trade Liberalisation:** the signing of the Marrakech Agreement of the GATT in 1993 introduced widespread *external trade reform*. The first effect was the conversion of all existing quantitative controls over imports of agricultural goods into tariffs, and followed by the scaling down of those tariffs according to an agreed schedule. The country has also affirmed its position on liberalised international trade by assuming membership of the Cairns Group, thereby signalling its intention to lower tariffs even further regardless of the progress made by the developed countries in withdrawing farm support.
- **Export Driven Growth Strategy:** The liberalisation of foreign trade brought with it a shift away from the import replacement strategy of the past decades (1970-1990) toward a more overt *export-driven growth* under the GEAR macroeconomic strategy of the new democratic government. In terms of this strategy, commodities such as those produced in agriculture are afforded less tariff protection than goods with a higher value-added component. For agriculture, this means that inputs into farming are protected, while in many cases farmers have to compete more directly against imports in an unprotected market.
- **The introduction of the land and labour reform programmes:** The former, introduced in 1994, consists of land restitution, land redistribution and tenure reform. This initiative was aimed at settling small farmers on viable farming operations in the commercial farming areas. Recent reviews of the programme show that the pace of reform has been slow, and have resulted in a reorientation of the programme away from a strict focus on poverty alleviation. While labour legislation governing working conditions, wage rates, etc. has progressively become applicable to the agricultural sector over a period of more than a decade, certain aspects of the land reform programme have also impacted on the manner in which agricultural labour is

managed. Here specific mention should be made of the introduction of legislation that governs the occupational rights of workers who live on farms.

- **Public sector restructuring:** The institutional restructuring of the public sector change in the relationship between the National Department of Agriculture and farmer lobby groups, the restructuring of important statutory bodies with a development mandate in the rural areas generally such as the Development Bank of Southern Africa and the Land Bank, and the reorientation of the mission of the Agricultural Research Council

An important aspect of the institutional restructuring of the public sector which is of direct relevance is the 'provincialisation' of the activities of the National Department of Agriculture (NDA). In terms of the Constitution, agriculture is a concurrent responsibility, shared between national and provincial government. The role of the NDA is to provide national level policy leadership with the provinces increasingly being responsible for the provision of public goods and services. The objective of this report is to identify and assess whether the nature and extent of the goods and services (core outputs) rendered by the Western Cape Department of Agriculture (WC DoA) all contribute to realising the *iKapa elihumayo* goals (outcomes).

Structure of this chapter

First this chapter reports briefly on the approach followed and the methodology used in executing this study. The next section consists of an analysis of formal agricultural policy statements as embodied in i) Western Cape Fiscal Policy 2003-2006 ii) WC DoA Strategic Plan 2003/04-2005/06 iii) Strategic Plan for South African Agriculture 2001. The Fourth section contains a discussion of the structure and programmes of the WC DoA, and presents core output indicators for each of the Departments operational activities. The quantity and quality of these core outputs is then examined in relation the outcome. The fifth section serves as a summary and synthesis of the analysis offers a number of recommendations as to how the Agricultural Budget could be used to strengthen the *iKapa elihumayo* or "Growing Cape" concept.

Approach and Methodology

The process of policy formulation and implementation includes two major phases: (i) the elaboration of a policy framework, objectives and guidelines; (ii) the design of a set of laws, regulations and programs in order to realize the objectives/outcomes specified in the first phase. The objective of the report is to assess the "degree of fit" between these two components within the Western Cape Department of Agriculture.

The first part of this chapter therefore begins by analysing and comparing the various provincial and national policy statements (which collectively serve as the policy framework) to arrive at some partial priority ordering of desired outcomes. The second part of this chapter describes the various programmes of the WC DoA by specifying their measurable objective, their key outputs as well as their intended outcome. The performance of the Department is then reviewed in terms of the degree of correlation between the core outputs and the desired outcomes that were specified in the first part of the chapter.

This study primarily makes use of secondary data sources published by the WC DoA and the Western Cape Provincial Government. A number of interviews were also conducted with officials within the WC DoA to ascertain proposed output changes and to elicit their views as to current output gaps. Note only the programme and sub-programme activities that render a direct service to the Western Cape agricultural sector are reviewed. The Corporate Services Programme as well as the various management sub-programmes were thus excluded.

Policy Overview

As reiterated, the activities of the WC DoA should be driven by its stated policies. These policies are evidently a product of the joint efforts of all stakeholders in the sector, working within the framework of national and provincial policy statements such as the i) Western Cape Fiscal Policy 2003-2006, ii) the Strategic Plan for South African Agriculture 2001 and iii) the WC DoA Strategic Plan 2003/04-2005/06. Each of these policy documents is discussed below.

Western Cape Fiscal Policy 2003-2006

In December 2001 the Western Cape Government revised and expanded its strategic framework for policy formulation and ten separate strategic goals were identified for the government to work towards. These include:

- To establish the Western Cape Government as caring and representative providing quality, equitable and accessible services to all its people;
- Orientate Government towards the poor by ensuring basic services, an indigent policy, a safety net and a caring budgets;
- To fight HIV/Aids and other diseases in a co-ordinated and comprehensive manner which includes that the provision of anti-retroviral drugs, lifestyle interventions and sustained actions against poverty;
- Deracialise and integrate all state financed institutions in a responsible manner to maintain stability and good order;
- To develop the capacity of local government to ensure the rapid and comprehensive implementation of IDPs and free basic services;
- To stimulate economic growth – both in the traditional and emerging sectors with appropriate infrastructural development and to the benefit of all through amongst others, procurement reform;
- To focus on agriculture and tourism towards rural development so that all inhabitants can live harmoniously and in safety;
- To promote policies which will maintain a health balance between protecting the environment and developing the economy;
- To contain and eradicate crime through good intergovernmental co-operation so that the Western Cape can be a safe and secure home especially for women and children, and
- To nurture our diversity and promote our various cultures, religions and languages to become the source of our unity and strength.

Along side these strategic goals a number of policy imperatives were also identified¹, the document goes further to suggest that these should be considered the “mission statement and the strategic direction that this Province must pursue in future”.

- Reduce poverty and unemployment
- Improve equity through accessibility to quality services
- Enhance efficiency in delivery
- Maintain and improve physical infrastructure
- Create a safer environment
- Improve welfare and living conditions
- Strengthen accountability and long-term growth and development

As earlier noted the *iKapa elihumayo* is a growth and development strategy that has been adopted to ensure the strategic framework and policy aims specified, are realised. The main tool at the disposal of the Western Cape government to implement *iKapa elihumayo* is the budget.

In reviewing the expenditure of the WC DoA, attention was drawn to the substantial pressure the WC DoA faces in fulfilling its commitments in supporting the Land Redistribution for Agricultural Programme. These include facilitating farmer settlement, providing water engineering services, technology transfer and training. Furthermore resources also have to be directed towards maintaining the Province’s global competitiveness through providing a range of veterinary services, research and technology transfer and farmers skills development (Western Cape 2002b).

Strategic Plan for Agriculture

In South Africa, the first post-election statement of agricultural policy by National Government was the White Paper on Agriculture, published in 1995 (NDA 1995). Towards the end of 1998 a Discussion Document on Agricultural Policy was released and this was later distilled and refined into the “Strategic Plan for South African Agriculture” released in 2001 (NDA 1998, NDA 2001). Note this Strategic Plan is a consensus document in that it embodies not only government’s view as to how agriculture in South Africa should develop, but also that of formal agriculture represented by Agri South Africa and the National Agricultural Farmers Union (NAFU).

Table 1 below provides a comparison between the policy goals stated in the 1995 White Paper on Agriculture and the 1998 Discussion Document, while the goals and various strategies proposed in the “Strategic Plan for South African Agriculture” are set out in Table 2 that follows. While the content of these three documents is similar, they differ with respect to policy prioritisation with the “Strategic Plan for South African Agriculture” singling out the important need to promote more equitable participation in the sector and the need to provide land reform beneficiaries with a comprehensive and integrated range of support services.

¹ These were originally identified in the Western Cape Fiscal Policy 2002-2005 and reiterated in the Western Cape Fiscal Policy 2003-2006.

Table 1: A comparison of 1995 and 1998 policy goals

1995 White Paper	1998 Discussion Document
<p>Policy goals:</p> <ul style="list-style-type: none"> ▪ Developing a new order of economically viable market directed commercial farmers, with the family farm as the basis. ▪ The broadening of access to agriculture via land reform should be enhanced by adequate agricultural policy instruments, and supported by means of the provision of appropriate services. ▪ Financial systems should focus on the resource-poor and beginner farmers. ▪ Trade in and the marketing of agricultural products should reflect market tendencies. ▪ Agricultural production should be based on the sustainable use of the natural agricultural and water resources. ▪ Developing agriculture's important role in the regional development of Southern Africa and other countries. 	<p>Policy goals:</p> <ul style="list-style-type: none"> ▪ Making the sector more efficient and internationally competitive ▪ Supporting production and stimulating an increase in the number of new small, small scale and medium scale farmers ▪ Conserving agricultural natural resources

Source: NDA 1995 and NDA 1998

Table 2: Strategic Plan for Agriculture 2001

Strategic Plan for Agriculture	
<p>Policy Goal: To generate equitable access and participation in a globally competitive profitable and sustainable agricultural sector contributing to a better life for all</p>	
<p>1. Enhance equitable access and participation to agricultural opportunities, to deracialise land and enterprise ownership and to unlock full entrepreneurial potential in the sector</p>	<p>1.1. Land reform 1.2. Provision of support packages to emerging farmers that : 1.2.1. Improve market access 1.2.2. Enhance the development and transfer of technology to new farmers 1.2.3. Human resource development plan (mentoring, and entrepreneurial development) 1.2.4. Improve access to rural financial 1.2.5. Improve agriculture stakeholder focus, collaboration and co-ordination 1.2.6. Improve ability and efficiency of the extension personnel within the private and Provincial Departments of Agriculture 1.2.7. Promote institutional development 1.3. Improve the quantity and quality of rural infrastructure</p>
<p>2. Enhance profitability through sustained global competitiveness in the agricultural sector's input supply, primary production, agro-processing and agri-tourism industries</p>	<p>2.1 Factor conditions specifically 2.1.1 Factors of production 2.1.2 Availability and quality of natural resources 2.1.3 Level of input prices 2.2 Demand Conditions: 2.2.1 Promote niche markets 2.2.2 Agri-tourism 2.2.3 Non-farm enterprises 2.3 Related Industries 2.4 Supply Chain performance 2.5 Enabling policy environment 2.6 Risk Management</p>

Strategic Plan for Agriculture		
Policy Goal: To generate equitable access and participation in a globally competitive profitable and sustainable agricultural sector contributing to a better life for all		
	2.7	International Trade
3. To enhance farmers capacities to use resources in a sustainable manner and to ensure the wise use and management of natural resources	3.1	Development of plant breeding strategies to maintain and enhance genetic diversity
	3.2	In situ conservation of endangered agricultural species and varieties in economically viable farming systems
	3.3	Investment in infrastructure and services to support sustainable resource use
	3.4	Development of biotechnology strategy
	3.5	Encourage horticultural production for health and income reasons
4. Complementary strategies	4.1	Good Governance
	4.2	Integrated and sustainable rural development
	4.3	Knowledge and innovation
	4.4	International co-operation
	4.5	Safety and security

Source: NDA 2001

The Strategic Plan for Agriculture draws attention to the fact that within agriculture, there are certain sub sectors and/or product groups that are in a strong position to promote the objectives of the Plan. The Plan places special emphasis on horticulture, niche products and agri-tourism because of their respective contribution to food security, demand-led export growth and rural development.

Western Cape Department of Agriculture Strategic Plan 2003/04-2005/06

For the purposes of this report, the most important policy document presented here is the WC DoA Strategic Plan. The vision of the Department of Agriculture is to create an agricultural sector that is “global success, competitive, inclusive and in balance with nature”. This vision finds expression through the strategic goals of the Department which loosely conform to its various departmental Programmes.

Table 3: WC DoA: Strategic Goals

Programme	Sub-programme	Strategic Goals
1. Management		To provide professional, reliable and impartial service
2. Technology Development and Transfer	Technology Development: Technology Transfer Agricultural Economics	The development and transfer of economically accountable technology considering the current needs of producers, resource limited farmers and consumers
3. Agricultural Engineering	Resource Conservation Engineering Farm Services	Promotion of conservation and improvement of the environment, especially agricultural natural resources Identification of new production opportunities and promotion of the utilization thereof
4. Veterinary Services	Animal health Food Safety Veterinary lab	To minimise and monitor animal disease risks and enhance the hygiene management at meat and dairy establishments in accordance with national and international standards for vet service delivery To facilitate the production, availability and export of healthy foods and products of animal origin

Programme	Sub-programme	Strategic Goals
5. Agricultural Training	Higher Education FET	Training of prospective and current agricultural producers, farm workers and agriculturists through formal and informal training
6. Farmer Settlement	Land Reform Infrastructure Development Institutional Capacity Dev. Farmworker Dev	To promote agricultural development through supporting institutional capacity building, land reform initiatives and infrastructure development To create an environment for black economic empowerment opportunities within the agricultural sector with special emphasis on farm workers

The WC DoA Strategic Plan identified certain policy priorities for the 2002/2003 year. These are listed below and as can be seen mirror the National Agricultural Sector Plan:

- To ensure equal access to participation in agriculture and to stimulate sustainable rural development;
- Increase the competitiveness of all agricultural producers on the local level as well as the national and international levels, and
- To conserve the natural resources available to use in order to ensure that generations to come can still benefit from them.

A draft version of the 2004/2005 Strategic Plan has been prepared and the final version will be available in October 2003. This document draws attention to the major realignment process the WC DoA has undergone over the past two years with respect to the establishment of and rendering of services to emerging black farmers. Furthermore the need of the WC DoA to broaden its product focus to include products such as wine, fynbos, rooibos tea and buchu is also stressed, as is the need to engage in rural development initiatives, food security and food safety issues. For the purposes of this document only the 2003/2004 Strategic Plan will be referred to when discussing the various programme activities of the WC DoA.

To summarise, the foregoing policy analysis clearly illustrates the policy shift that has taken place within the South African agricultural economy. For much of the 1990s, the goals of efficiency (growth) and equity (participation) were both seen as critically important objectives. In recent years, as the agricultural sector has struggled with transformation, the policy focus has shifted. The goal of increase participation (equity) while maintaining growth and output levels has become the focal variable. In response to this challenge, the WC DoA is in the process of realigning its outputs.

Programme Activities of the WC DoA

Technology Development and Transfer

The largest of the six programmes of the WC DoA is the *Technology Development and Transfer Programme*. The aim of this programme is to research, develop and adapt and transfer appropriate agricultural technologies for farmers and other users on natural resources, to develop support programmes for farmers and create opportunities for farmers and communities. This programme consists of three sub-programmes namely i) Technology Development, ii) Technology Transfer and iii) Agricultural Economic Services.

Technology Development

With respect to *Technology Development*, for the 2003/04 financial year this sub-programme was allocated R16,049 million with an annual percentage change over the MTEF of 15.17%. The core output of this sub-directorate focuses on the development of appropriate technology relevant to all farmers in the Western Cape and the sub-programme achieves this output through the implementation of a range of research projects.

In March 2003, the Directorate *Technology Development and Transfer* assessed all the projects currently being undertaken. Each project (together with its budget) was evaluated by assessing the extent to which it promoted the goals of innovation, knowledge, co-operation, resource utilisation, competitiveness, rural development and emerging farmers. The average scored by the Technology Development Sub-Programme appears in Figure 1 below. As can be seen, the bulk of the research projects undertaken were aimed at realising the objectives of improved competitiveness and resource utilisation. The development of technology targeted at emerging farmer and the promotion of rural development was not an explicit priority focus. The need to address this gap was emphasised by the sub-programme in the 2003/2004 Strategic Plan however, it was also noted that this proposed output was unfunded in the 2003/2004 year.

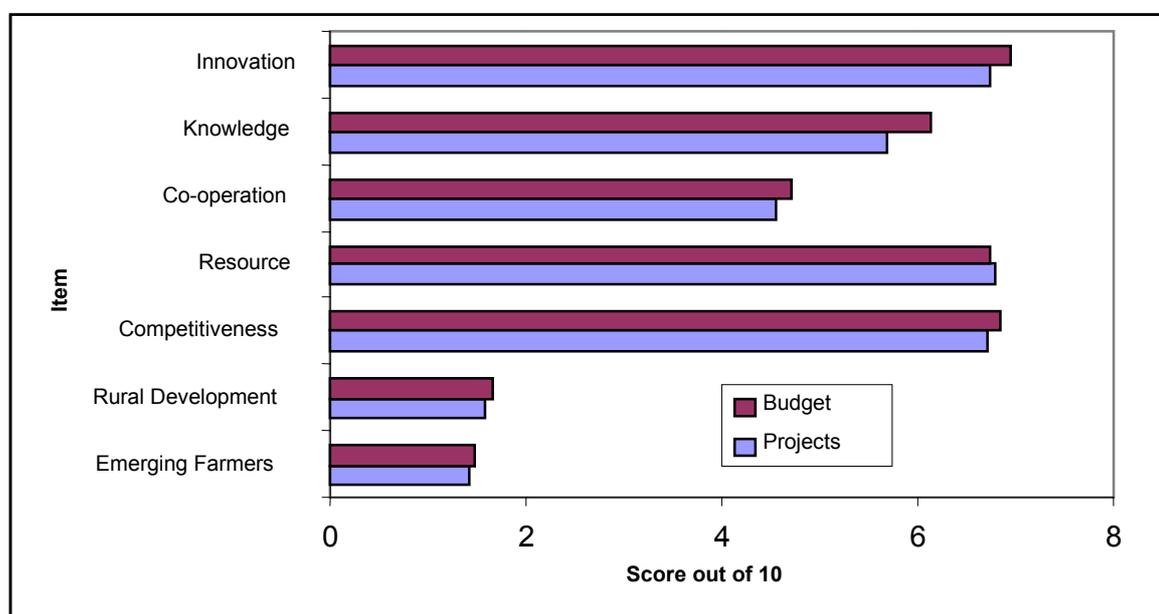
While some re-prioritisation within the sub-programme to broaden the focus of their research agenda remains critical; it is proposed that that an additional MTEF allocation also be made. The Rate of Return (ROR) to public sector agricultural research for South Africa has been calculated to be higher than 40%² - such an increase thus makes good business sense. Furthermore the collapse of Agricultural Research Council (ARC) structures has placed an additional research burden on the Province with respect to product scope. Traditionally the product focus of the division has been on agronomic crops and animal products. Horticulture and niche crops now demand increasing attention and resource allocation.

² For more information on the rate of return to public sector agricultural research and development the reader is referred to Thirtle et al (1998).

Table 4: Technology Development

<p>Measurable objectives: Execution of research projects in Animal production, Plant Production and Resource Utilization</p> <p>Performance indicator: Acceptance of research results and implementation on farm level</p>	
<p>Outputs Current</p>	<p>Outcomes Current</p>
<p>i) Technology development applicable to farming enterprises in the 5 agro-ecological regions of the WC</p>	<p>i) Increase in the Total Factor Productivity of the WC agricultural sector (<i>competitiveness, knowledge and innovation</i>)</p>
<p>Output Measure (Current)</p>	
<p>Targeted Quantity: 205 technology research projects</p>	
<p>Outputs Desired</p>	<p>Outcomes Desired</p>
<p>i) Development of new technologies and management practices that raise agricultural productivity applicable to farming enterprises in the 5 agro-ecological regions of the WC</p> <p>ii) Development of appropriate technologies for small-scale farming and food security projects</p>	<p>i) Increase in the Total Factor Productivity of the WC agricultural sector (<i>competitiveness, knowledge and innovation</i>)</p> <p>ii) Increase in the Total Factor Productivity of small-scale farming systems and food security projects (<i>participation, food security, knowledge and innovation</i>)</p>
<p>Output Measure (Desired)</p>	
<p>Targeted Quantity: 250 technology research projects for the 2004/2005 of which 50 project should be targeted at small-scale farming and food security outcomes</p>	
<p>Addressing the Gaps</p>	
<p>Expansion of the programme and some reprioritisation within programme</p>	

Figure 1: Technology Development

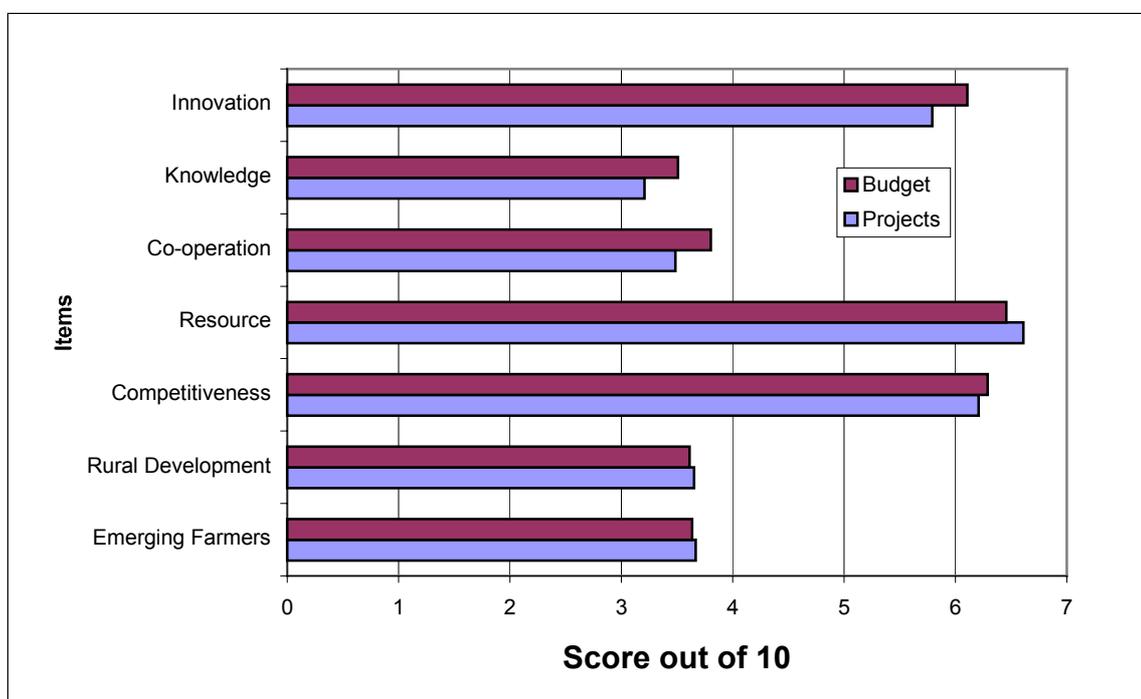


Source: Blomerus, 2003

Technology Transfer (Extension Services)

With respect to Technology Transfer (Extension Services), for the 2003/04 financial year this sub-programme received an allocation of R 10,839. An evaluation of the activities of the Technology Transfer sub-directorate was also carried out (Figure 2 below). As can be seen the sub-directorate has focussed its activities on enhancing the competitiveness and improved resource utilization of the sector. With respect to meeting the needs of emerging farmers in the province and addressing the issue of food security, this task has been exacerbated by a lack of funding. It is anticipated that the 2004/2005 allocation will increase significantly to R14,498 enabling the sub-directorate to more adequately serve the needs of emerging farmers and assist in the establishment of a number of food security projects. Table 5 below specifies the measurable objective of the programme as well as current outputs.

Figure 2 : Technology Transfer



Source: Blomerus, 2003

Table 5: Technology Transfer

Measurable objectives: Execution of guidance and advisory projects	
Performance indicator: Acceptance and implementation of transferred technology	
Outputs Current	Outcomes Current
i) Transfer of appropriate technology to farmers and users of agricultural resources in the five ago-economical regions of the Western Cape	i) Increase in the Total Factor Productivity of the WC agricultural sector (<i>competitiveness</i>)
Output Measure (Current)	
Targeted Quantity: i) Execution of 142 guidance and advisory projects to support farmers and other users of natural resources by providing appropriate technology and advice, to reach 10,000 producers through group sessions (600), farmer visits (5500) and 8000 individual contacts	
Outputs Desired	Outcomes Desired
i) Transfer of appropriate technology to farmers and users of agricultural resources in the five ago-economical regions of the Western Cape	i) Increase in the Total Factor Productivity of the WC agricultural sector (<i>competitiveness</i>)
ii) Provision of post-settlement extension support to all Western Cape land reform beneficiaries	ii) Increase in the Total Factor Productivity of land reform beneficiaries (<i>participation</i>)
iii) Active implementation and support of food security projects within urban townships	iii) Improved access to food and income opportunities (<i>food security, poverty reduction</i>)
iv) Implementation and support of food gardens (vegetables) at HIV/Aids clinics in conjunction with the Department of Health	iv) Improvement in the health status of HIV/Aids sufferers as a result of improved access to nutritious food products (<i>fight HIV/Aids</i>)
Output Measure (Desired)	
Targeted Quantity:	
i) Execution of 142 guidance and advisory projects to support farmers and other users of natural resources by providing appropriate technology and advice, to reach 10,000 producers through group sessions (600), farmer visits (5500) and 8000 individual contacts	
ii) Provide weekly, on-farm contact visits to all land reform, food security and food garden projects	
Addressing the Gaps	
The gap has been addressed through 75% increase in MTEF of the Sub-directorate	

Agricultural Economic Services

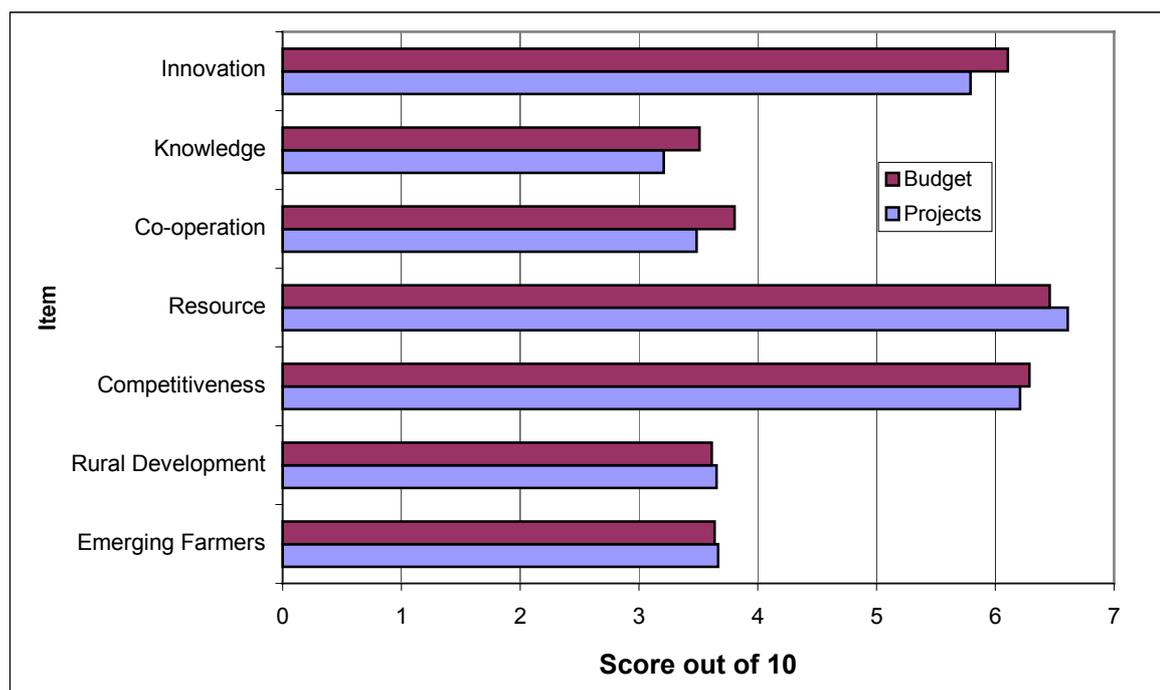
The activities of this sub-programme are carried out on a project basis. The various projects of the Agricultural Economics sub-directorate were evaluated in a similar fashion to those of Technology Development and Transfer sub-directorates. The outcome of this evaluation process can be seen in Figure 3 below. Based on discussions with officials in the Department there is a need to increase the number of research projects undertaken by the sub-directorate that have a clear and directed impact on emerging farms and that strengthen rural development. The scoring for these two items should ideally be increased to 6 from the current 3.5.

Table 6: Agricultural Economics

<p>Measurable objectives: Execution of agricultural economics projects , peer review of outputs Performance indicator: Achievement of results by target dates</p>	
<p>Outputs Current</p>	<p>Outcomes Current</p>
<p>The provision of agro-economic information as a basis for macro and micro decision making and to enhance the economic competitiveness of agriculture in the WC.</p>	<p>Improved decision making leading to an increase in the efficiency and/or equity of the Western Cape agricultural economy (<i>competitiveness, participation, knowledge and innovation</i>)</p>
<p>Output Measure (Current)</p>	
<p>Targeted Quantity: Execution of 25 agricultural economic projects</p>	
<p>Outputs Desired</p>	<p>Outcomes Desired</p>
<p>i) The provision of agro-economic information as a basis for macro-micro decision-making and to enhance the economic competitiveness of agriculture in the WC</p> <p>ii) Development of economic models and socio-economic evaluation of small scale farming and food security projects.</p> <p>iii) Socio-economic evaluation of Aids related issues in agricultural development</p>	<p>i) Improved decision making leading to an increase in the efficiency and/or equity of the Western Cape agricultural economy (<i>competitiveness, participation, knowledge and innovation</i>)</p> <p>ii) Increase in the availability of small-scale farming and food security economic models (<i>participation and rural development</i>)</p> <p>iii) Improved understanding of the impact of HIV/Aids on the WC agric sector and improved design of an appropriate intervention strategy (<i>fight HIV/Aids</i>)</p>
<p>Output Measure (Desired)</p>	
<p>Targeted Quantity:</p> <p>i) Execution of 25 agricultural economic projects ii) An evaluation of land reform (1), economic evaluations of business plans (15), development of Combuds for new entrants (100), establishment of emerging farmer financial study groups(5) iii) Execution of 1 research project pertaining to HIV/Aids and its impact on the WC agric sector</p>	
<p>Addressing the Resource Gap</p>	
<p>The resource gap will be met through reprioritisation within the sub-directorate</p>	

An increase in the types of projects envisaged include an evaluation of land reform, economic evaluations of business plans, development of Combuds for new entrants, establishment of emerging farmer financial study groups and these should thus form part of the output measurements.

Figure 3: Agricultural Economics



Source: Blomerus 2003

Agricultural Engineering Services

The two main sub-programmes of this Directorate include the promotion of resource conservation and the provision of agricultural engineering services. A third programme namely Farm Services is considered an ancillary research support service and has thus been excluded from this evaluation.

With respect to **Resource Conservation**, the three main outputs of this sub-programme are *firstly* the implementation of a range of resource conservation works projects such as contour and drainage projects, *secondly* the implementation of land care projects and *finally* the rendering of an advisory service with respect to land use management (subdivision of agricultural land). This latter activity is a legislative requirement of the Department and will not be elaborated on below.

Soil conservation works: The demand for these projects by existing commercial and emerging farms far outweighs the supply. Furthermore, the rate of soil erosion in the province is thought to be increasing as a result of the unnatural rainfall patterns observed over the past few year and this will place an additional burden on the programme in the medium term. Currently only R500,000 is directly allocated to this output. However, it must be noted that a number of the Infrastructure Development projects of the Farmer Settlement Programme are also classified as soil conservation works such as the Land Care projects and a number of the agricultural engineering projects. All WC DoA outputs of an infrastructure/works nature, either directly carried out or through the appointment of a contractor, need to be collectively reviewed and not on a piecemeal basis.

Land Care is a concept introduced by the National Department of Agriculture (NDA) that is focused on the execution of soil conservation public works projects. Soil conservation infrastructure is thus built for the community by using local community labour, in the process jobs are created and skills are transferred. Funding for this activity is received from the NDA and the Province is limited to R1,8 million. An evaluation by the NDA of all Land Care projects is currently being conducted to assess their impact on soil conservation, rural development and poverty relief. Once this evaluation is available Province will be in a better informed as to whether this model should be further extended to address *iKapa elihumayo* objectives.

The core output of the **Agricultural Engineering Services** division is the provision of technology development, implementation and extension services surrounding water use and conservation³. As has already been noted, water availability presents the single largest constraint to the expansion of agricultural output in the Western Cape. The need of the WC DoA to actively undertake investigations into the expansion of existing and potential irrigation schemes is diverting resources away from the operation activities of the Programme such a water extension and education. Currently there are only 3 water technicians deployed in the province and ideally this should be increase to 10 (two per region).

As can be seen in Table 7 below, no additional outputs for the sub-programme are recommended however, the capital intensive, long-term nature of the activities undertaken by the Programme and their impact on the overall sustainability and competitiveness of the Western Cape agricultural sector needs to be recognised (and adequately funded).

Table 7: Agricultural Engineering Services

Measurable objectives: Enhance the sustainable utilization of natural agricultural resources, to conserve the environment and plan and develop agricultural engineering products	
Outputs (2002-2003)	Outcomes
<p>Current/Desired</p> <p>i) Planning of soil conservation works (contours, weirs, fencing, drainage, water course and animal watering projects)</p> <p>ii) Management and Implementation of LandCare projects</p> <p>iii) Investigation, development and promotion of improved agricultural water use and conservation</p>	<p>Current/Desired</p> <p>i) Improved sustainability of the Western Cape natural resource base (<i>environmental sustainability, competitiveness</i>)</p> <p>ii) Improved sustainability of the Western Cape natural resource base through the harnessing of community participation (<i>rural development, food security, poverty relief and environmental sustainability</i>)</p> <p>iii) Improved availability, efficiency and allocation of the existing scarce agricultural water resource (<i>sustainability, competitiveness and growth</i>)</p>
Addressing the Gaps	
Increase in overall allocation	

³ The Agricultural Engineering Services programme also carries out engineering services related to mechanisation, value adding to products and animal housing, handling and waste management facilities.

Veterinary Services

During the 2003/04 financial year the Veterinary Services Directorate restructured its activities in order to comply with the increasing demand for food safety assurances. The Sanitary and Phytosanitary Committee of the World Trade Organisation has accepted the minimum requirements for service delivery set out by the World Organisation for Animal Health. The Western Cape Province has to meet these standards and provide guarantees to the effect, if it is to continue exporting products of animal origin such as ostrich meat and dairy products. Furthermore it was recognised that activities of the Provincial Veterinary Laboratory will have to be expanded if it is to meet the criteria for ISO and SANAS accreditation.

A comprehensive organisational and work-study investigation was carried out (2002) to assess the proposed expansion in the activities of the Directorate. Based on this investigation it was decided to establish a dedicated food safety unit, expand the facilities of the veterinary laboratory and initiate the identification of specific projects for veterinary extension and knowledge transfer resource-poor communities. The Directorate Veterinary Services has thus attempted to broaden its activities to not only meet its regulatory functions but also to promote livestock production and food safety. Not all these changes were reflected in the Service Delivery Measures noted in the Budget 2003 and/or the Strategic Plan 2003/2004. The desired outputs appearing in Table 8 below reflect this broadened scope of activities.

The Programme Veterinary Services now has three sub-programmes namely Animal Health, Food Safety and Veterinary Laboratory Services. The objective of the Animal Health sub-programme is to monitor, prevent and control the spread of animal diseases. In addition, as of 2003, the sub-programme has begun to implement specific veterinary extension projects aimed at emerging farmers. These projects are conducted in collaboration with the Farmer Settlement Programme.

Table 8: Animal Health

Measurable objectives: Manage and control trade-sensitive and zoonotic animal disease to comply with national and international standards for veterinary service delivery.	
Outputs Desired	Outcomes Desired
<ul style="list-style-type: none"> i) Rendering of veterinary inspection, monitoring and surveillance activities to South African livestock farms to assess the animal disease status and to ensure compliance with export requirements ii) Identification and execution of specific projects for veterinary extension and knowledge transfer in resource poor communities 	<ul style="list-style-type: none"> i) High Provincial animal health status <i>(increase in livestock exports and competitiveness)</i> ii) Increase in the Total Factor Productivity of resource poor livestock producers <i>(participation, competitiveness)</i>
Addressing the Gaps	
Animal Health: The gap has been addressed through 25.29% increase in MTEF of the Sub-directorate	

With respect to food safety, in addition to its legislative obligation of providing and abattoir and export facility inspection service this sub-programme is in the process of setting up an awareness campaign to promote a meat hygiene culture in the Western Cape.

Table 9: Food Safety

Measurable objectives: To facilitate the application of national and international standards for hygiene management practices at food producing and export establishments to ensure trade and consumer confidence	
Outputs (2002-2003) Current	Outcomes Current
i) Inspection , monitoring of export ostrich and dairy farms and ensuring compliance of local abattoirs with Act 40 of 2002 (Meat Safety Act) ii) Establish a meat hygiene culture and meat safety awareness	i) Meeting of the SPS requirements for livestock exports (<i>increase in livestock exports, competitiveness</i>) ii) Food Safety enhanced (<i>increase in health status</i>)
Addressing the Gaps	
Reorganisation of the activities of the Programme	

Agricultural Training

The measurable objective of the Agricultural Training Directorate is *firstly to* provide formal Higher Education agricultural training and *secondly to* provide modular Further Education Training (FET) targeted at land reform beneficiaries, resource poor farmers and farm workers.

With respect to the Higher Education sub-programme, students are all initially enrolled for a two-year Certificate training programme. If they successfully complete a third year of specialised study they are awarded a Diploma in Agriculture.

Concerning the provision of formal education at Elsenburg the following points need to be noted:

- The current demand for formal training outstrips the supply, the College receives an estimated 270 applications and is only able to enrol 130-140 students per annum.
- In order to bring their Diploma programme in line with CHE policy, an additional 6 months of residency at Elsenburg is required. This requirement will place an added burden on the teaching staff, infrastructure and impact on the management and administration component of the Programme.
- The racial composition of the current student group enrolled at Elsenburg does not reflect the demographics of the Western Cape. One of the main reasons sited is the lack of bursaries the College is able to offer HDIs.

The FET component of the programme was only introduced in the 2001/2002 year and this activity forms an integral part of the LRAD support strategy. In the 2001/2002 more than 800 students were enrolled in 12 different FET courses. The bulk of the user costs charged for these courses has been provided through own funding, SETA funding and by the National Department of Agriculture. The expected increase in the number of land reform beneficiaries will place an additional burden on the FET programme and the expected decline in MTEF allocation in 2005/2006 needs to be reviewed in light of the increase in anticipated outputs.

It is important to note that the supply of agricultural training in the Western Cape province as a whole severely limited. The deregulation of the agricultural sector and the dissolution of Control Boards removed an important supplier of agricultural training. The need to also promote lifelong learning or FET amongst commercial farmers should not be ignored. This will become increasingly important as opportunities for product diversification increase.

Table 10: Agricultural Training

Measurable objectives: i) Provision of higher education, ii) Provision of Further Education and Training to land reform beneficiaries, resource poor farmers and farm workers	
Outputs Current	Outcomes Current
<ul style="list-style-type: none"> i) Provision of industry relevant formal training to students on a higher education level ii) Provision of modular training course in the Further Education and Training field to enhance the skills of the particularly the designated group 	<ul style="list-style-type: none"> i) Increase in the number of formally training agricultural professionals (<i>broadening of skills base, competitiveness</i>) ii) Increase in the skills profile of Western Cape land reform beneficiaries and farm workers (<i>broadening of skills base, participation, competitiveness</i>)
Outputs Desired	Outputs Desired
<ul style="list-style-type: none"> i) Provision of industry relevant formal training to students on a higher education level Provision of 30 bursaries to HDIs ii) Provision of modular training course in the Further Education and Training field to enhance the skills of the a) particularly the designated group b) commercial farmers 	<ul style="list-style-type: none"> i) Increase in the number of formally training agricultural professionals (<i>broadening of skills base, competitiveness</i>) ii) Increase in the skills profile of all Western Cape agricultural producers and farm workers (<i>broadening of skills base, participation, competitiveness</i>)
Addressing the Gaps	
In the short-term it is proposed that additional funding be made available for the provision of 30 bursaries to HDIs to study at Elsenburg College. In the long term, the need to meet the FET needs of commercial farmers will have to be addressed.	

Farmer Settlement

The Farmer Settlement Programme was established in January 2002 with the objective to facilitate and co-ordinate the settlement, support and development of emerging farmers in the Western Cape. All provinces in terms of LRAD⁴ policy, were required to establish Farmer Settlement Support (FSS) units to coordinate post-transfer support to LRAD projects, especially in the areas of agricultural extension, infrastructural support and training. Furthermore, a number of other National and Provincial policy programmes such as the *Integrated Food Security and Nutrition Programme*; the *Transformation Act of Certain Act 9 Coloured Rural Reserves*; the *Urban Renewal Strategy* and the *Integrated Sustainable Rural Development Programme* all have an agriculture black economic empowerment component and require the Provincial Department of Agriculture to assume a leadership role. The various sub-programme of this Directorate are discussed below.

⁴ *Land Redistribution for Agricultural Development* (LRAD) - flagship programme by which the Department of Land Affairs is pursuing the objectives of land redistribution.

Land Reform

The core output of this sub-programme is the settlement, through LRAD, of 7000 black farmers in the Western Cape over a five-year period. As indicated, WC DoA together with the Provincial Department of Land Affairs (DLA), is jointly responsible for the implementation of LRAD. However, it must be noted that overall responsibility for LRAD (and its budget) rests with the DLA.

Budget constraints are currently hampering the activities of the Western Cape Provincial DLA. At one stage during the past financial year, this office had accumulated LRAD commitments worth over R100 million, of which only R48 million was available from current budgets. Over-commitment of funds in 2002 and 2003 forced the Western Cape land reform office to cease processing new LRAD applications (Jacobs et al, 2003). The number of applicants awaiting land for farming in the Western Cape is estimated to 10,000. It is clear that the demand for land in the Western Cape via LRAD, outstrips the supply capacity of the DLA and this may hamper the WC DoA achieving its output target.

The Farmer Settlement Programme emphasises that LRAD is but one avenue to land reform. The Transformation of the Act 9 Rural Coloured Reserve Areas requires agricultural land currently held in trust by the Minister of Land Affairs to be transferred to the communities who use this land. One of the outputs of the Land Reform Sub-Programme is to facilitate this transformation process. Furthermore, the National Department of Agriculture has passed on 34 parcels of land to WC DoA that it obtained via the now defunct Agricultural Credit Board. Each of these tracts (referred to as FALA projects) will have to be assessed in terms of its suitability for land reform settlement and made available to land reform applicants.

With respect to reconciling the outputs of this sub-programme with its resource requirements, it must be noted that its MTEF allocation is set to increase by an average of 153.23% (growing from a very small base). The bulk of this additional allocation will be used to fund necessary staff appointments to implement the proposed projects. Finally, the budget constraints faced by the Western Cape Provincial Department of Land Affairs needs to be reiterated. There is thus an urgent need to consider alternative funding mechanisms and strategies to facilitate land delivery.

Table 11: Land Reform

Measurable objective: To facilitate the effective and efficient implementation of LRAD and other land reform initiatives to support HDIs	
Current Output Desired	Current Outcome Desired
i) To settle at least 1000 farmers through the LRAD programmes	i) Increase in the number of land reform beneficiaries settled on farms and farming successfully (<i>participation, food security, employment, growth</i>)
ii) Transformation of the Act 9 land	ii) Increased security of tenure and increase in agricultural production of Act 9 areas (<i>participation, food security, employment, growth</i>)
iii) Financially Assisted Land Administration and Restitution claims	iii) Increase in the number of land reform beneficiaries settled on farms and farming successfully (<i>participation, food security, employment and growth</i>)
Output Measure (Current/Desired)	
Targeted Quantity: i) 1000 farmers settled, ii) number of projects, and iii) transferred land (ha)	
Addressing the Gaps	
Make alternative funding mechanisms and strategies available to facilitate land delivery	

Infrastructure Development

The core output of the Infrastructure Development sub-programme is the provision of infrastructure to land reform beneficiaries. The budget of this sub-programme is allocated to i) Food Security Program and ii) Provincial Agricultural Infrastructure Development (PAID) projects.

With respect to food security projects in 2003/2004, seven (7) projects were implemented at a cost of R200,000 and it is expected that this will be increase to 20 project per annum with a concomitant budget increase in the MTEF to R1,000,000. While this allocation is sufficient to meet the infrastructure needs of these projects, the success of many of these projects hinges around the provision (at least initially) of agricultural inputs such as fertiliser and seed (so called starter packs)⁵.

In terms of PAID projects, the type of projects embarked on range from the erecting of cattle pens (R4,000) to the upgrading of irrigation canals (R 359,000). Infrastructure outputs have a directly and measurable impact on agricultural production levels. The demand for infrastructure development projects in the province is high, especially in the Act 9 Areas. Furthermore the shortage of water for agricultural purposes and the access to water by black farmers is one of the sector constraints that can to be addressed (in collaboration with DWAF) through the provision of infrastructure (such as irrigation). It is therefore recommended that the MTEF allocation to this sub-directorate be increased so that it can undertake an increased number of infrastructure projects (60). In addition it

⁵ The provision of input supplies to small-scale farmers has been shown to produce considerable production output and environmental benefits. (See for example Vink and Tregurtha 2003).

was noted by the Directorate that it receives many requests for agricultural inputs from land reform beneficiaries. The possibility of the WC DoA providing an input supply package and/or interest free production credit to land reform beneficiaries should urgently be considered and the necessary budget made available.

Table 12: Infrastructure Development

<p>Measurable objective (Current): To encourage increase agricultural production through the support of infrastructural development projects</p> <p>Measurable objective (Desired): To encourage increase agricultural production through a) the support of infrastructural development projects b) the provision of an agricultural input supply package to land reform beneficiaries engaged in agricultural production</p>	
<p>Outputs Current</p>	<p>Outcomes Current</p>
<p>i) To support and fund HDI communities with infrastructure development projects to improve agricultural production and food security at grass roots level</p>	<p>i) Increase in the value of the agricultural asset base of resource poor farmers, increase in agricultural production (<i>output growth, participation, competitiveness, food security, rural development</i>),</p>
<p>Output Measure (Current) Targeted Quantity:</p>	
<p>i) 7 food security projects implemented of which 6 are in the identified Urban Renewal Node ii) 63 infrastructure projects implemented in the 6 district municipalities</p>	
<p>Outputs Desired</p>	<p>Outcomes Desired</p>
<p>i) To support and fund HDI communities with infrastructure development projects to improve agricultural production and food security at grass roots level</p> <p>ii) The provision of an agricultural input supply package to (a) land reform beneficiaries engaged in agricultural production (b) food security and food garden packages</p>	<p>i) Increase in the value of agricultural asset base of resource poor farmers, increase in agricultural production (<i>output growth, participation, competitiveness, food security, rural development</i>),</p> <p>ii) Increase in the marketable agricultural production of land reform beneficiaries, improved access to food (<i>output growth participation, competitiveness, food security, rural development, sustainability</i>)</p>
<p>Output Measure (Desired) Targeted Quantity:</p>	
<p>i) 20 food security projects implemented of which 6 are in the identified Urban Renewal Node ii) 80 infrastructure projects implemented in the 6 district municipalities iii) 20 input starter packs for food security and food garden projects iv) 30 input starter packs for eligible land reform beneficiaries engaged in agric production</p>	
<p>Addressing the Gaps</p>	
<p>Increasing the MTEF allocation</p>	

Institutional Capacity Building

The objective of this sub-programme is to assist communities with the development of institutional arrangements at grassroots level to ensure sustainable and viable LRAD and Infrastructure Development projects are selected. Its outputs are of a process nature.

Summary and Conclusions

As noted at the start of this chapter, the WC DoA is in the process of broadening its range and level of services rendered to address to the particular needs of emerging farmers. Most of this shift has been possible as a result of the increase in MTEF allocations for the Training, Infrastructure and Extension activities of the WC DoA.

While the need to address the needs of emerging producers cannot be ignored, the need to maintain minimum service levels rendered to the commercial agricultural sector is crucial. In the non-metropolitan areas of the province, agriculture agro-processing and agro-tourism related activities form the backbone of the economy. The continued growth of agricultural sector output, employment and skills development is dependent on access to research, extension, training, engineering and veterinary services. These services should not be rationalised to accommodate this new priority focus of increased participation. While some reprioritisation within existing budgets is possible, many of these desired outputs and accompanying outcomes will require an additional MTEF allocation.

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HOUSING

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Glossary/Abbreviations

WCD.H : Western Cape Department of Health

DAG : Development Action Group

NDoH : National Department of Housing

NGO : Non-Governmental Organisations

NHBRL : National Home Builders Registration Council

Densification : The process whereby residential densities are increased in a planned and meaningful way within the existing boundaries of a specific area.

Externality : A cost or benefit imposed on people other than the consumers and producers of a good or service.

Incremental housing : The provision of tenure and services through the essential services programme and the construction of top structure through the People's Housing Process.

Integrated development Plan (IDP): The Systems Act (Act no 320 of 2000) requires that municipalities manage a strategic plan for development. This includes the allocation of resources for the provision of basic services, the eradication of poverty, boosting local economic development and employment creation and for reconstruction and development purposes.

Peoples Housing Process (PHP) : This refers to people who are given an opportunity (through support mechanisms such as training; capacity building; technical advice) to actively participate and make key decisions and choices regarding the planning and construction of their houses.

Public good : A good or service which, once produced, has two properties: users collectively consume its benefits and there is no way of excluding people who do not pay for consuming such a good or service.

Restructuring : Changing the structure of a department.

Social housing

- : Refers to housing that is held in ownership, without immediate transfer of ownership after the construction of the unit, and administered by an institution for the benefit of qualifying individuals in terms of pre-determined criteria. Social housing embodies the following housing categories:
- Rental housing estates
 - Co-operative owned housing
 - Instalment sale cluster housing
 - Transitional housing
 - Special needs social housing

Spatial Apartheid

- : Locating the poor in areas that are far removed from social, recreational and economic opportunities. Marginalising the poor so that they are spatially separated from the mainstream economy.

Executive Summary

Studies on housing have consistently demonstrated its importance in the growth and development of national economies. This stems largely from the high multiplier effects that are associated with housing construction as well as the stimulus it gives to ancillary industries such as appliances, furniture and textiles. In the past few decades developing countries have been strongly encouraged to increase the resources allocated to housing because of the many positive externalities that also flow from development of the sector.

Current situation

On the 1 August 2002, the Department of Housing separated from the other two line portfolios (Planning and Local Government) to become an independent department. The restructuring was initiated as a result of two important events: (i) the streamlining of the Department (from Planning, Local Government and Housing to Housing on its own) and (ii) the shift in the priorities of the National Department of Housing (NDoH).

The change in priorities of the NDoH meant that the organisational structure of the Western Cape Department of Housing (WCDoH) had to be revamped to deal with the new challenges. The new organisational structure will provide increased support for the People's Housing Process (PHP), rental housing and other social housing options and would enhance service delivery. To date a draft organogram has been finalised for the Department although this has not been implemented as yet. There are also a number of vacant posts that need to be filled.

An analysis of the way in which the Department is facilitating housing delivery in the Province through planning and subsidy administration show that some progress has been made with regard to:

- The fair distribution of funding to municipalities based on the Provincial Housing Plan.
- Capacitating developers and municipalities.
- Ensuring that beneficiaries are approved and that subsidies are paid out.

It is evident that while there has been some progress in establishing a strong and viable relationship with municipalities, a number of administrative hurdles need to be overcome. In a survey of local municipalities in the Western Cape, officials indicated that they were generally happy with the way in which the Department planned and administered housing delivery but showed some dissatisfaction with regard to the way in which it dealt with several other important considerations such as the Department's ability to communicate an effective and integrated approach to housing delivery.

On the housing subsidy scheme, municipal officials indicated that they had to wait 3.5 months on average after applications were submitted to the Department to get approval for projects. One large municipality indicated that it had to wait a year before getting approval for a project.

Another contentious issue with municipalities was the issue of financial empowerment. Most municipalities indicated that they needed more financial resources to carry out their housing functions.

In terms of the housing subsidy scheme itself, the research shows that the housing subsidy grant, which is the primary vehicle for funding expenditure on low-cost housing, had no rollovers of funds in 2001/2002. This represents an improvement on 1995/96 when 39% of funds were rolled over. However in March 2003, only 92% of the grant was spent. The WCDoH plans to have no rollovers in the coming 2003/2004 financial year. Underspending in 2002/2003 occurred at a time when it was faced with the challenge of restructuring and shifts in policy on the part of the NDoH.

It is important to note that the housing backlog will probably never be eradicated if the present pattern of funding for housing persists. Substantial increases in funding are required for low-cost housing if the backlog is to be eradicated in the near future.

Since 2000 the Department has embarked on a drive to upgrade informal settlements. The rationale behind the drive was that, given the insufficient resources at the Department's disposal and the resultant delay in providing housing to all immediately, the living conditions of people in informal settlements had to be improved in the short-term and that housing should be provided on an incremental level over the medium to long term. The main aim of this programme is to address the health and social conditions in existing areas and to provide funding for inner city renewal. The Province makes funds available to local municipalities to undertake this function although the amount of money allocated for this programme is not a significant amount.

Desired situation

In comparing the current situation with the desired situation (a fully restructured department that is aligned with the priorities of the NDoH) it is reasonable to conclude that some progress is being made. Yet, it needs to be noted that the desired outcome of a well-functioning housing administration has suffered because restructuring has not been completed and, as a result, vacancies have not been filled. Consequently, the Department's ability to improve service delivery to its various clients and to effectively liaise with beneficiaries, provide support to municipalities and other housing providers has been hampered.

In the telephonic questionnaire put to a sample of municipalities, municipal officials indicated that the mechanical aspects of the planning and administration of the housing subsidy programme were fairly well undertaken by the WCDoH. Serious concerns were however raised regarding the way in which municipalities were advised regarding the planning of housing delivery. The desired situation is that municipalities should be capacitated to undertake housing delivery in an integrated manner, for example: when planning housing projects, municipalities should consider housing in the context of poverty alleviation, socio-economic advancement and the restoration of human dignity. More attention should also be paid to urban planning considerations. It should be noted that the lack of integrated planning perpetuates spatial apartheid and leads to the creation of homogenous poor communities. This in turn reinforces the structural inequality that bedevils the South African economy at large and restrains growth and the alleviation of poverty by separating communities from job opportunities and the formal economy.

It was also noted that the WCDoH has a fairly good record in terms of spending its allocation of the housing subsidy grant. Despite this, the backlog in housing has not decreased due to factors such as natural population growth and immigration. Despite the fact that substantial resources are being directed at housing the poor, these funds are often not used to maximise the socio-economic outcomes that can be realised from such an allocation. The majority of housing developments are located at the edge of urban areas, which tends to reinforce urban sprawl. Housing analysts generally agree that this spatial pattern of development perpetuates poverty and marginalisation by cutting off poor communities from economic opportunities. Some also argue that it engenders social alienation, as communities feel removed from mainstream life. The desired outcome would be to accelerate integrated housing development and thereby facilitate socio-economic advancement. To achieve this, however, more funds need to be procured for low-cost housing and better-located land needs to be made available for such developments.

Improvements in the provision of basic services, granting of security of tenure and the upgrading of informal settlements clearly have a positive impact on socio-economic outcomes with respect to health and productivity gains and should continue to be promoted by the Department.

How to close the gap

- **Finalise restructuring process**
It is recommended that the WCDoH finalise the organogram and fill all vacant posts as soon as possible. The funds allocated for capacity building should also be utilised fully.
- **Providing more resources to capacitate the housing functions in municipalities**
It is recommended that the appropriate level of financial resources be made available to municipalities to bring the capacity in line with carrying out the functions related to housing.
- **Communicating the importance of engaging the housing component in the IDP process of municipalities**
Encourage municipal officials to include housing as a central component of the development process and to link it with other development initiatives. The Department should ensure that housing projects are linked to the provision of schools, clinics, community centres, shopping and recreational amenities and that they should be close to transport nodes.
- **Spatial integration**
It is recommended that spatial integration be achieved through the vertical and horizontal integration of multi-year plans and funding mechanisms. Special attention should also be paid to the location of housing projects as well as the integration of factors into housing like job creation and environmental soundness.
- **Subsidising the cost of land**
It is recommended that financial resources be channelled to the WCDoH to enable it to subsidise the cost of well-located land that have been identified as potential sites for low-cost housing.
- **Pro-poor service policies**
It is recommended that the WCDoH workshop pro-poor service strategies with municipalities that provide housing. These pro-poor service strategies (for example:

water, sanitation, refuse removal, etc) go hand in hand in making housing more affordable to low-income households and helps in the promotion of the creation of sustainable human settlements.

- **Densification**
More dense housing solutions such as three storey walk-ups and duplexes should be workshopped with beneficiaries and investigated.
- **Sustainable development**
Promote sustainable development by providing security of tenure to informal households.
- **Regulatory framework**
It is recommended that the present system of registration of properties be streamlined so that low-cost housing developments can be expedited and the queue system be retained only for other users.
- **HIV/Aids and housing**
It is recommended that a HIV/Aids policy in relation to housing be developed throughout the Province to ensure that the system of provision is sufficiently flexible to adapt to the changing needs of households afflicted with the disease.
- **Alternative sources of financing**
It is recommended that alternative sources of financing be investigated for low-income housing so as to begin to reduce housing backlogs.

Introduction

The Provincial Treasury of the Western Cape has requested that an analysis of the performance of the Province's Housing Department (WCDoh), specifically the outputs, be undertaken and that a sector review be compiled that identifies the gap between current and desired housing outcomes.

Studies on housing have consistently demonstrated its importance in the growth and development of national economies. This stems largely from the high multiplier effects that are associated with housing construction as well as the stimulus it gives to ancillary industries such as appliances, furniture and textiles. In the past few decades developing countries have been strongly encouraged to increase the resources allocated to housing because of the many positive externalities that also flow from development of the sector. While housing is now generally considered to be an activity that the private sector is best suited to undertake, the role of the public sector has recently been given increasing attention, albeit mainly as facilitator.

This chapter starts out by considering the need for housing and the reason why government intervention is needed in the housing market. An analysis is then undertaken on the current strategic objectives and desired outcomes of the National Department of Housing (NDoH) and the Provincial Treasury specifically the *iKapa elihlumayo* framework document. The different programmes of the WCDoh are analysed together with the core outputs relating to each programme. An assessment of the Department's current performance is then undertaken to determine if it is sufficiently aligned with the priorities of the NDoH and the vision of *iKapa*. This chapter attempts to identify the remaining gaps that impact on the performance of the Department and makes recommendations in this regard.

Methodology

The research methodology used for this study was both desktop as well as interview based. Key documentation was obtained from the Treasury and the WCDoh and was scanned for relevant information.

Interviews were conducted with key individuals in the WCDoh including the Head of Housing. The purpose of the interviews was to determine the extent to which the Department had met its strategic objectives and core outputs and the problems and challenges that it faces in the delivery of housing. Interviews were also conducted with other key stakeholders such as municipal officials, NGOs and private consultants working in the area of public housing provision to determine the effectiveness of the provincial strategy.

The approach used in the interviews was the semi-structured, open-ended technique comprising the key informant category. The reason for choosing this technique is that respondents were chosen on the basis of their specialised knowledge rather than being randomly chosen (e.g. officials). The key informant method enabled the researchers to define the essential characteristics of the issues concerned by drawing on the personal experience and understanding of the persons involved.

A questionnaire was developed and telephonically completed with a representative sample of municipalities currently acting as housing providers in the Province. The purpose of the questionnaire was to determine the extent to which the WCDoH facilitates the development of an effective housing policy in the Province. The questionnaire covered a broad range of questions relating to housing management, housing settlement, the technical and professional support that municipalities get from the Department as well as planning and subsidy administration.

An analysis was then conducted to determine the extent to which the Department's core outputs are related to the strategic objectives and desired outcomes of the NDoH and Provincial Treasury and to ascertain the extent to which these core outputs have been met.

Public Provision of Housing

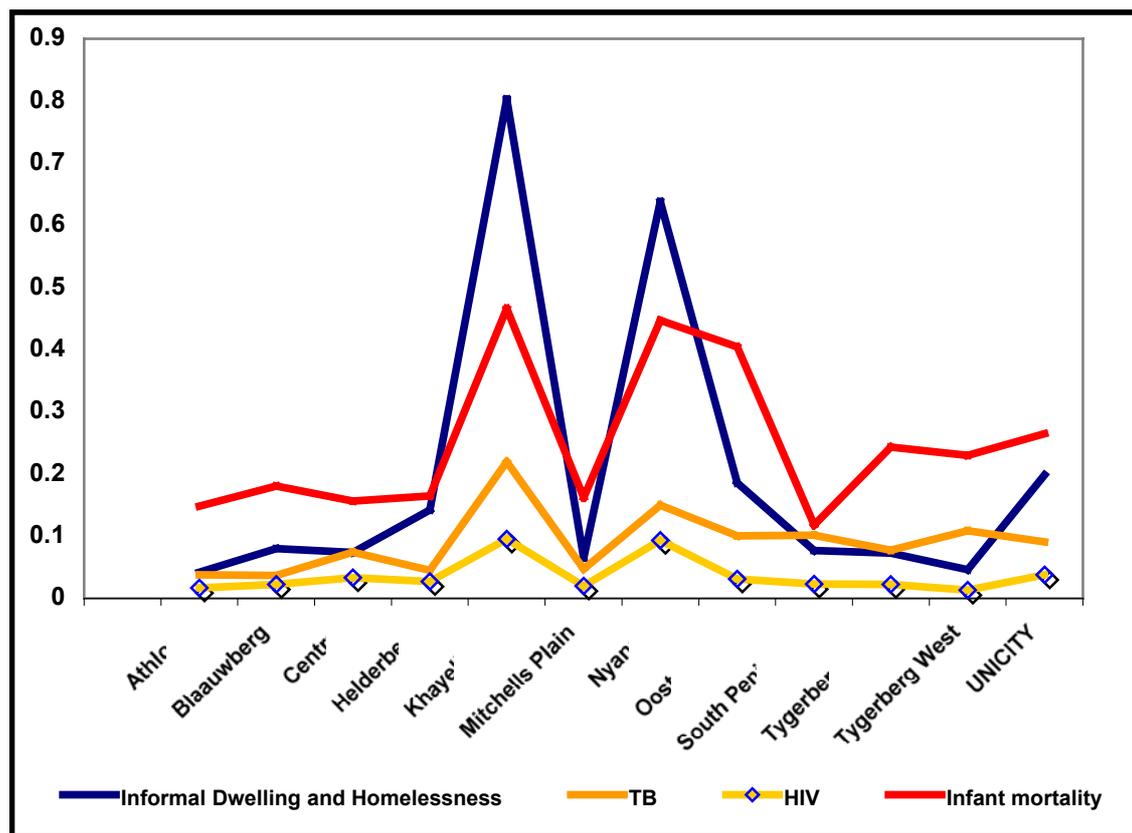
There are a number of reasons that can be cited for government's involvement in the provision of housing for low-income households. One of the main reasons relate to the social and ethical basis of government as it seeks to bring about a redistribution of income and wealth. This objective has special significance in South Africa because of the legacy of Apartheid and the effects it has had on poverty and income inequality. Redistribution aims at promoting greater equity such that income, basic services like water, sanitation and adequate shelter and the much wider concept of wealth are more evenly distributed through society. However equity is not the main reason for the public provision of basic goods and services (like adequate housing) for poor households.

Externalities or spillover effects also provide a rationale for public sector intervention in the provision of low-cost housing. To see housing solely as a private good can be misleading because of the spillover effects to third parties. Externalities arise from the effect that one property can have on the surrounding environment. Housing externalities are also associated with housing conditions and their impact on quality of life. Good quality housing has widespread effects in that it reduces the spread of diseases and improves educational attainment and productivity (Duff: 1997). All of these effects, in turn, have an impact on economic growth and poverty alleviation.

The lack of adequate housing for low-income households has been found to reinforce the vicious cycle of disease, poverty and unemployment. Agnus Walker (2000) observes that in areas with high socio-economic disadvantage there are higher rates of mortality than areas with lower levels of socio-economic disadvantage.

The quality of health can primarily be linked to conditions at the level of the household and the immediate living environment. Hence the provision of some services will impact directly on health while a range of indirect health benefits accrue from the combined effect of infrastructural interventions. Data on selected health related variables such as infant mortality rates, TB and HIV/AIDS show that there is a positive correlation between their incidence and inadequate housing. In areas where there are large numbers of informal households the incidence of disease appears to be higher. See Figure 1 for data on the City of Cape Town.

Figure 7: Correlation between IMR, HIV/AIDS, TB and Homelessness



Data Source: Stats SA 1996, and City of Cape Town 2001

There are numerous costs associated with the non-provision or poor provision of basic services. Studies have shown that the diseases caused by poor housing conditions and lack of safe sanitation cost much more than prevention. One study shows that the cholera epidemic in Peru not only afflicted 320 000 people - killing 2 600 - it also caused \$1 billion in economic damage, proving much more costly than sanitation improvements that could have prevented the outbreak. The plague outbreak in Surat, India in 1994 was attributed mainly to unsanitary housing conditions. Health officials reported that the outbreak killed 54 and afflicted nearly 5 000; it also caused more than \$1.5 billion in economic damage and triggered the exodus of 500 000 residents of Surat (NIEP: 1994). Improved health also impacts on labour productivity. The economic benefits of housing show a strong correlation with increased productivity. Households that have access to basic services such as water, sanitation, and roads have to spend less of their time collecting water and firewood for lighting, heating and cooking purposes. Apart from the environmental impact, it is particularly beneficial to women who spend a large percentage of their time engaged in such activities.

Public provision of adequate housing is therefore essential if the economic benefits are to be realised, not just for the poor but also for society at large. The improved social and economic outcomes of housing and infrastructural provision suggest that there are significant savings that can be gained from the health and social development sectors.

National and Provincial Strategies

In assessing the WCDoH's performance it is important to ascertain if its objectives are in line with the NDoH's objectives and the Province's growth strategy. A brief review of the main policy imperatives at both the national and provincial level are discussed below.

National Housing Strategy

In terms of section 26 of the constitution of South Africa (Act No. 108 of 1996) all citizens have the right to have access to adequate housing. It further provides that government must take reasonable legislative and other measures within its available resources, to achieve the progressive realisation of this right.

Since 1994 1.5 million homes have been built. These homes were built for low-income individuals whose earnings were below R3 500 per month. The houses were primarily built on freestanding plots often at the periphery of existing townships (UUDP⁶: 2003). Despite the massive scale of delivery this type of housing has been criticized on the grounds that it reinforced spatial apartheid patterns and perpetuated a situation where most of the poor are located away from job and other social opportunities. Another criticism levied at the policy is that houses were built for low-income communities but did not include shopping or recreational amenities and, as a consequence, poverty and destitution were not reduced. There is now some recognition that this practice should be discontinued and that there needs to be a policy shift away from merely providing shelter to creating sustainable human settlements. Housing analysts have also identified the value of the housing product by low-income communities as requiring attention. These and other shifts in policy have led to the creation of desired outcomes in provincial housing departments that can be summarised as being comprised of the following benchmarks⁷:

- A focus away from numbers to quality of housing units and environments. Due to the continued need for delivery on a large scale "quantity with quality" would be an appropriate description.
- Introduction of a demand-led and integrated development planning (IDP) based procurement regime linking housing development to municipal development priorities.
- Addressing dysfunctional human settlements by giving more attention to urban planning considerations. Examples include linking medium density projects to transport nodes, commercial centres and employment opportunities.
- Focus on rental housing opportunities to accommodate a population on the move.
- Improving the quality of the housing products by increasing the subsidy amount substantially and extending the National Home Builders Registration Council (NHBRC) warranty scheme for defined defects to low-cost housing.
- Higher appreciation of the housing product as a valuable asset by the beneficiaries and promoting a culture of saving by introducing a contribution of the beneficiaries in cash or kind into the subsidy scheme. Continued and increased support for the PHP to further enhance ownership by the beneficiaries.

⁶ Urban Upgrading and Development Programme

⁷ See UUDP (2003).

- Contribution of housing development to broad government objectives like restoring human dignity, poverty alleviation, Black Economic Empowerment and increased social and economic investment.

Western Cape Provincial Strategy

At the Provincial level there has also been recognition that for the Province to promote growth and development there needs to be a framework in place to guide the process and integrate the different activities that would sustain it. The Provincial Minister of Finance, Mr Ebrahim Rasool, has articulated this vision in the *iKapa elihlumayo* Concept, according to which the Provincial Treasury sees itself as an agent of change by utilizing its resource allocation function to achieve the highest possible living standards and the systematic reduction in social and economic disparities. The main aim of the strategy is to achieve high levels of sustainable growth and promote equity through the redistribution of resources. This implies removing or overcoming the obstacles to growth and development and pulling together those initiatives that would foster growth and development and wide-scale economic participation (Budget Speech: 2003).

The implications of this strategy for provincial departments like Housing can be broadly interpreted to encompass two major initiatives: one, a degree of internal re-organisation and two, greater co-ordination with several other departments. These initiatives, in turn, could mean having to do the following:

Firstly, since the success of the strategy hinges on a broader buy-in from all other departments, their mission statements would have to reflect their respective roles to give effect to the concept of *iKapa*. Secondly, each department would need to re-align its activities in line with the broader vision of *iKapa*. Thirdly, service delivery across the Province will have to be integrated and this of necessity should include the strategic plans at the municipal level. Fourthly, the socio-economic realities of the Province would have to feature more prominently in the conceptual and planning frameworks of departments.

Other objectives that have been set for provincial departments are those of redistribution and diversification. While economic growth in the Province was higher than the national average it was noted that those benefiting most from this growth were people in the upper income categories. As evidence, the *iKapa* document cited that the tertiary sectors experienced the highest growth in the provincial economy, particularly financial services, business processing and real estate – sectors that rely mostly on high skills. Secondary and primary sectors were both net shedders of jobs particularly in manufacturing, mining and construction while agriculture, fishing and energy made some net gains to employment.

The *iKapa* strategy also aims to achieve several equity outcomes such as:

- Higher rates of growth and employment creation
- Growth and development of small, medium and micro enterprises
- Geographic equity encompassing rural and urban, black and white areas
- Accelerated process of black economic empowerment, as well as empowerment of previously marginalised sectors of the economy

Overview of core outputs

This section of the chapter deals with the core outputs of the WCDoH and is discussed under the various programmes of the WCDoH. The programmes are uniform in their application to all the Provinces since they have been developed by the NDoH in an effort to achieve a high degree of standardisation across the country. A major consideration that features in the identification of the core outputs is the likely impact they could have on key socio-economic outcomes in the Province. There is now widespread acceptance that unless the linkages between housing and socio-economic improvement are firmly established the many benefits of the sector would be compromised.

Programme 1: Administration

One of the core outputs under this programme relates to the restructuring of the Housing Department. The restructuring was initiated as a result of two important events: (i), the streamlining of the Department (from Planning, Local Government and Housing to Housing on its own) and (ii), the shift in the priorities of the NDoH.

On August 1st 2002, the Department of Housing separated from the other two line portfolios (Planning and Local Government) to become an independent department. This was accompanied by a reduction in posts and employees as the previous department was unbundled and the structures of the Chief Directorates Planning and Local Government were transferred. The structure now reflects only the previous Chief Directorate Housing, the support components as well as the Office of The Head of Department (Department of Housing: 2003).

The other important reason for the restructuring relates to a policy shift at the National level. In 2001/2002 a shift in the NDoH's priorities meant that more weight was given to the PHP, medium density and social housing. The implication of the change in priorities of the NDoH was that the organisational structure of the WCDoH had to be revamped to deal with the new challenges. A decision was then taken by the Head of Housing in consultation with other stakeholders to put a new structure in place. The new organisational structure would provide increased support for PHP housing and allow for the PHP unit to be capacitated. It was envisaged that the restructured department would enhance service delivery.

When measured against the desired output (a fully restructured department that is aligned with the priorities of NDoH) the current situation appears to have achieved a reasonable degree of progress. Informant interviews with key personnel in the Department revealed that the changes undertaken in the Department to date have resulted in the following:

- A work-study investigation has been finalised and a draft organogram has been developed for the Department. This is in the process of being finalised by the Human Resource Department.
- The new structure is to have a technical component where projects are evaluated, and a PHP unit that will encompass social and medium density housing.
- There will also be a component that addresses the research issues of the Department – such as updating the Housing Plan.

- Two new components have been introduced: forensic investigations and communications. The former will monitor the provision of housing and will deal with issues of corruption and fraud while the latter will involve setting up the infrastructure to deal more effectively with municipalities, developers and marketing.
- The rental housing and land invasions component will be maintained. The properties component will be updated, as the current structure is not deemed to be sufficient.

The progress, however, has not been without its share of shortcomings, much of which relate to the filling of vacant posts. A substantial amount of money was underspent in the 2002/2003 financial year (in this programme) and was due to the vacancy of posts resulting from work-study investigations and the subsequent equipment purchases that are usually associated with those posts (computers, etc.). Another contributing factor to underspending was that capacity building courses were not finalised before year-end (Housing Department: 2003).

The following tables summarise the number of posts on the establishment and the vacancy rate.

Table 15: Employment and vacancies by programme as at 31 March 2003

Programme	Number of Permanent and Contract Posts	Number Of Posts Filled With Permanent And Contract Employees	Vacancy Rate	Posts Filled Additional To The Establishment
Administration	96	75	21.9	12
Housing	260	196	24.6	9
Restructuring				194
Total	356	271	23.9	215

Data Source: Housing Annual Report 2002/2003

The vacancy rate at the end of March 2003 was 23.9%. This is substantial but steps have been taken to reduce it.

A concluding point here is that the desired outcome of a well-functioning housing administration has suffered because restructuring has not been completed and, as a result, vacancies have not been filled. Consequently, the Department's ability to improve service delivery to its various clients and to effectively liaise with beneficiaries, provide support to municipalities and other housing providers has been hampered.

Programme 2: Planning and subsidy administration

The main aim of Programme 2 is to facilitate housing delivery in the Province through planning and subsidy administration. Some of the core outputs relating to this programme are:

- Fair distribution of funding based on the Provincial Housing Plan: The main aim is to allocate funds to the 30 municipalities to reduce housing backlogs. This is to ensure that municipalities are empowered to plan housing provision more appropriately.
- To capacitate developers and municipalities: To promote housing policy by advising and assisting municipalities and developers and making sure that projects conform to the housing code and are reflected in the IDPs of municipalities.

- To train and develop capacity at the municipal level: The aim is to capacitate municipalities by undertaking a skills audit and gap analysis at municipalities.
- To ensure that beneficiaries are approved and that subsidies are paid out: To process applications and pay claims. This takes the form of ensuring that all funds are spent in terms of the approved guidelines.

Programme 2 is one of the more important programmes because it is at this level where policy is communicated and funds are distributed to municipalities. This is the main conduit through which funds flow to municipalities.

In the questionnaire put to a representative sample of municipalities in the Western Cape Province several areas of housing provision and development were covered. One of the aims of the questionnaire was to determine the extent to which the WCDoH has met the core outputs relating to programme 2.

Table 16: Municipal responses to questions on planning and administration

Questions relating to planning and subsidy administration	Percent of municipalities who responded favourably to the question
Was the Provincial Housing Plan presented to your municipality?	93
Are funds distributed according to the Provincial Housing Plan?	100
Is your municipality financially empowered by the WCDoH to plan housing provision?	60
Are approved housing projects implemented?	100
Is your municipality advised and assisted by the WCDoH in the promotion of housing policy?	100
Did the WCDoH undertake a skills audit and gap analysis at your municipality?	93

In comparing the current outputs with the desired outputs it is evident that while there has been some progress in establishing a strong and viable relationship with municipalities, a number of administrative hurdles need to be overcome. Municipalities were generally happy with the way in which the Department planned and administered housing delivery but showed some dissatisfaction with regard to the way the WCDoH dealt with several other important considerations:

Most municipalities indicated that they needed more financial resources to carry out their housing functions.

On the housing subsidy scheme, municipal officials indicated that they had to wait 3.5 months on average after applications were submitted to the Department to get approval for projects. In the case of one large municipality, they had to wait a year before getting approval for a project.

When questioned about the Department's vision to communicate a common, effective and integrated approach to housing delivery and to assist municipalities in the establishment of more effective housing outcomes their responses were as follows:

Table 17: Municipal responses to questions relating to integrated planning

Questions relating to integrated planning	Percent of municipalities who responded favourably to the question
Does the WCDoH promote alignment and consensus on housing priorities?	50
Does the WCDoH provide municipalities with a collective understanding of their needs and priorities?	86
Does the WCDoH promote an integrated approach to housing delivery?	79
Does the WCDoH engage municipalities on the housing component of their IDPs?	64
Does the WCDoH identify obstacles to speed up project implementation and assist your municipality in resolving these obstacles?	86

Only fifty percent of municipal officials indicated that the Department tried to promote alignment and consensus on housing priorities. Sixty four percent indicated that workshops were held with the Department to engage the housing component of the IDP. This indicates that a considerable amount of work still needs to be done on integrating housing into the planning processes of the municipality.

The Head of Housing confirmed that a number of workshops had been held with different municipalities to promote housing policy. The Department has completed an audit to determine the skills gap and has made funds available to develop the capacity in different municipalities particularly now that there is a change in policy toward PHP and social housing.

Housing delivery must be demand led and integrated into the developmental processes of the municipalities e.g. when planning housing projects, municipalities should consider housing in the context of poverty alleviation, socio-economic advancement and the restoration of human dignity. More attention also has to be paid to urban planning with regard to dysfunctional human settlements.

A concern that should be raised with regard to socio-economic outcomes is that the lack of integrated planning perpetuates spatial apartheid and leads to the creation of homogenous poor communities. This in turn reinforces the structural inequality that bedevils the South African economy at large and restrains growth and the alleviation of poverty by separating communities from job opportunities and the formal economy.

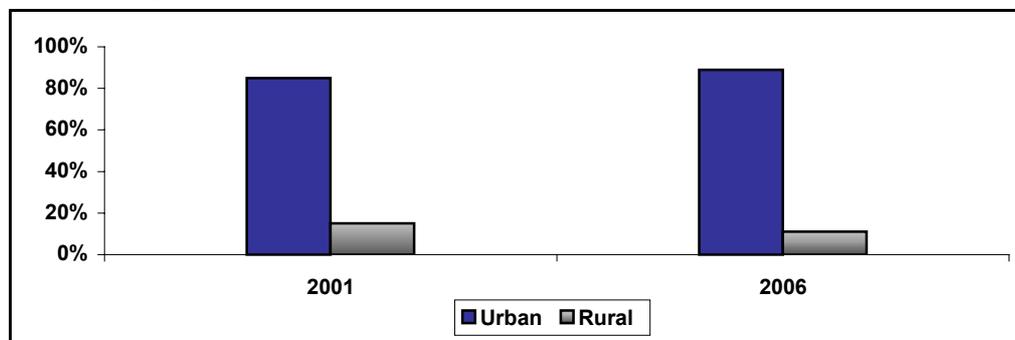
Programme 3: Housing subsidy programme

The main aim of Programme 3 is to provide subsidies to qualifying beneficiaries. The core output of this programme relates to the expenditure of allocated funds towards the provision of low-cost housing opportunities to reduce the housing backlog.

In its Five year Housing Plan, the WCDoH estimated the provincial backlog to be 316 000 units in 2001. This backlog was calculated according to: levels of overcrowding, inadequate dwellings which are comprised of shacks in informal areas and shacks on serviced sites, backyard shacks and population growth that is a result of new family

formation, migration and deaths. It was also projected that approximately 20 000 new households will be formed on an annual basis. The plan also revealed that 85% of the backlog was concentrated in urban areas like the City of Cape Town. The backlog in rural areas was estimated at 15%. The plan projected that the backlog would increase to 89% in urban areas and would decrease to 11% in rural areas. See Figure 8.

Figure 8: Backlog 2001 - 2006



Data Source: Provincial Housing Plan 2001

The backlogs are greatest for the City of Cape Town and least for the Overberg and Central Karoo regions. It was anticipated that the backlogs would probably grow in the City of Cape Town primarily because of urbanisation and will reduce or stay the same in all other regions.

Information obtained from DAG indicates that the backlog in the City of Cape Town might be slightly lower than previously anticipated and puts the figure closer to 220 000. A breakdown of the backlog for the City of Cape Town is given in the table below.

Table 18: Breakdown of backlog in the City of Cape Town

Dwelling type	Number
Informal settlements	84 000
Backyard structures	61 000
Informal dwellings on serviced sites	23 000

Source: Warren Smith, DAG

According to DAG⁸, the net number of new households (new family formation and migration, and taking deaths etc. into account) in the 0-R3500 monthly income bracket is estimated at 45 700 families for the 2002-2008 period and 23 500 families for the 2009-2012 period.

The Plan shows that the distribution of the backlog according to income group is greatest in the lowest income band of R0 – R1 000 per month. Nearly half of the backlog is located in this income group. See Table 19 below:

⁸ Personal correspondence with Warren Smith

Table 19: Distribution of housing backlog by income band 2001-2006

Income group	Backlog 2001		2006	
	Count	Percentage	Count	Percentage
R3 500 – R2 500	44 640	14%	59 040	14%
R2 500 – R1 500	69 099	22%	91 430	22%
R1 500 – R1 000	64 139	21%	84 870	21%
R1 000 – R0	132 122	43%	174 660	43%
Total	310 000	100%	410 000	100%

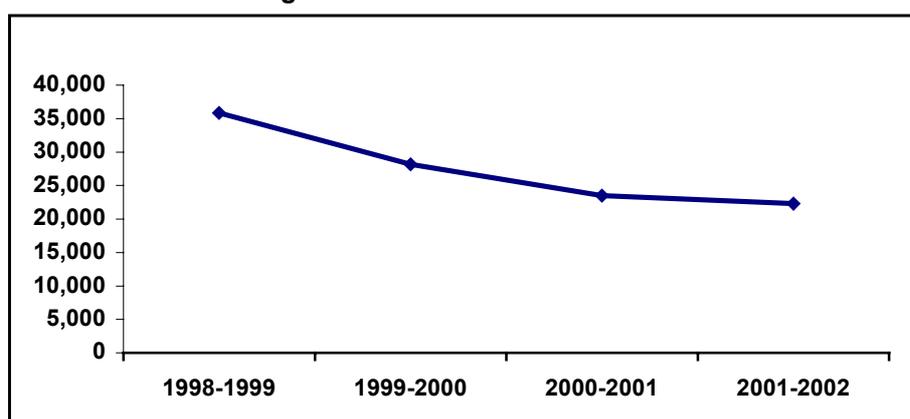
Data Source: Provincial Housing Plan 2001

An overview of the housing subsidy grant, which is the primary vehicle for funding expenditure on low-cost housing to reduce the backlog, shows that the Western Cape has a fairly good record in the delivery of low-cost housing since there has been no rollover of funds since 1995/1996. However in the 2002/2003 financial year only 92% of the grant was spent. The main reasons for the underspending were (i) the introduction of the procurement policy for municipalities and housing developers, (ii) the financial contribution of R2 479 by beneficiaries to qualify for subsidies (iii) the enrolment of projects by the NHBRC (Housing Department: 2003).

The WCDoH plans have no rollovers in the 2003/2004 financial year. Discussions with senior officials indicate that the Department has already spent a substantial amount of its budget for the current financial year.

Despite the success in subsidy provision there has been a decrease in the amount of subsidies approved since 1999. See Figure 9. The main reason for the decrease is the fact that fewer funds were available for subsidies (Provincial Treasury: 2002).

Figure 9: Number of subsidies granted



Data Source: Expenditure Review 2002

While underspending in the 2002/2003 has prevented the WCDoH from realising the desired output of spending 100% of the allocation and reducing the backlog, it has to be noted that this occurred at a time when it was faced with the challenge of restructuring and dealing with shifts in policy on the part of the NDoH. It is also important to note that the backlog will probably never be eradicated if the present pattern of funding for housing

persists. Substantial increases in funding are required for low-cost housing if the backlog is to be eradicated in the near future.

Despite the fact that substantial resources are being directed at housing the poor, these funds are often not used to maximise the desired socio-economic outcomes that can be realised from such an allocation. The majority of housing developments are located at the edge of the urban areas, which tends to reinforce urban sprawl. Housing analysts generally agree that this spatial pattern of development perpetuates poverty and marginalisation by cutting off poor communities from economic opportunities. Some also argue that it engenders social alienation, as communities feel removed from mainstream life. For example, in the City of Cape Town, new low-income housing developments are located primarily on the South-east side of the City, which is a fair distance from the areas that attract investment such as the Northern Suburbs, the CBD and Waterfront (City of Cape Town: 2003).

In an attempt to accelerate housing development and to realise better socio-economic outcomes, the Department's policy unit has adopted a proposal where funds will be made available from its budget to purchase privately owned land to accelerate the release of land for housing developments. Bilateral talks are being held with Land Affairs to remove obstacles in the way of land release, which range from the procurement of more funds to buy private land, the speedy release of state land and other land reform issues. It is the intention of the Department to make available better-located land for the development of low-cost housing and thereby capture the socio-economic gains that flow from such initiatives.

Programme 4: Urban renewal and human settlement redevelopment

The main aim of the programme is to create integrated and functional human settlements. The core outputs relating to this programme are discussed below:

- To promote and support the upgrading of informal settlements by ensuring that households have access to basic services.
- To promote integrated development through the promotion and alignment of different budgets
- To improve the living environment of the poor by creating integrated and functional settlements and the promotion of sustainable townships

As noted earlier, most of the households formed through inward migration and population growth are poor. It is estimated that between 1993 and 1998 there has been a 155% increase in the number of informal settlements in the City of Cape Town (Abbot and Douglas: 1999). An analysis of where these sites are located show that they are occurring in risky and unsustainable sites usually far away from employment opportunities. Access to services such as water, sanitation and refuse removal are relatively low primarily because these settlements are located in inaccessible areas where there are no roads or tracks or on privately owned land (City of Cape Town: 2003).

Since 2000 the Department has embarked on a drive to upgrade informal settlements. The rationale behind the drive was that, given the insufficient resources at the Department's disposal and the resultant delay in providing housing to all immediately,

the living conditions of people in informal settlements had to be improved in the short-term and that housing should be provided on an incremental level over the medium to long term. The main aim of this programme is to address the health and social conditions in existing areas and to provide funding for inner city renewal. The amount of money allocated to this programme is not a significant amount. The Province makes funds available to local municipalities to undertake this function.

To meet the challenge posed by informal settlements the Department has developed a handbook to equip municipal officials with the necessary skills. Workshops were held with municipal officials during March 2003 throughout the Province to promote this initiative. In line with this strategy an *In Situ Upgrade Housing Programme* (a first in the country) was established whereby housing subsidies could be used for the incremental upgrading of a settlement. The first project has been approved and the civil engineering contract has been awarded. This project is the New Rest in Gugulethu where 1 100 sites are created with a first phase contract of R7 million.

The Department and the Municipality of Cape Town are engaged in the de-densification of the Wallacedene Township which will accommodate victims from flooded areas in the metropole. Land has been acquired and the installation of bulk infrastructure has already begun in a project that plans to deliver housing to 6 000 families over five years.

The Department is also supporting the City of Cape Town in the establishment of a Nyanga informal settlement upgrade programme involving eight areas containing over 3 000 households.

The Department annually earmarks a portion of its operating budget to assist municipalities. Municipalities need to request that they need the funds to provide basic services to communities who are in dire need. In the 2002/2003 financial year an amount of R1.97 million was spent in this regard, which assisted approximately 5 000 families with basic services. For the current financial year, applications for an amount of R16 million were received. When questioned, municipal officials indicated that the promotion of upgrading informal settlements was fairly well undertaken by the Department.

Table 20: Municipal responses to questions relating to urban renewal and human settlement redevelopment

Questions relating to the urban renewal and human settlement redevelopment programme	Percent of municipalities who responded favourably to the question
Has the upgrading of informal settlements been promoted by the WCDoH, e.g. access to basic services?	86
Has the WCDoH supported or initiated the macro planning of identified urban nodes in your municipality?	64
What has been done to promote integrated and functional human settlements - has provision near schools, clinics etc been encouraged?	58

Officials indicated that very little had been done to meet the desired output of promoting an integrated approach to functional human settlements. More than 50% of municipalities stated that they were not well advised on human settlement.

From the data provided considerable progress appears to have been made in realising the desired outputs as far as upgrading of and provision of basic services to informal settlements are concerned. However, progress with regard to integrated and functional human settlements is less convincing.

Improvements in the provision of basic services and the upgrading of informal settlements clearly have a positive impact on socio-economic outcomes with respect to health and productivity gains. This holds true for environmental factors as well, since less of the natural habitat is denuded. Housing projects that are not functional or integrated have often been associated with an increase in criminal behaviour and other social pathologies and their reduction therefore becomes crucial to overall socio-economic improvements.

Programme 5: Rental housing

The core output of this programme is to efficiently and effectively manage rental housing and to promote rental housing in the Province.

The progress in this programme is largely attributable to the attention that is being paid to increasing the number of rental units in the low-cost housing market. The Head of Housing mentioned that the restructuring of the organisation would allow the Department to contribute more human and financial responsibilities to undertake the rental housing function. At the moment the Department is talking to the City of Cape Town to produce 5 000 rental units in the near future. This is likely to bring the Department closer to realising the desired output of providing affordable rental housing for poor families, especially for young people who have become increasingly mobile and active in the provincial economy.

Should this progress continue it would have a significant impact on socio-economic outcomes as it directly assists those groups in societies who make up a large part of the emerging economically active population and who are capable of providing a network of support to their dependents.

Desired versus realised outputs – What are the gaps?

While the Department's capacity to provide and deliver housing has shown steady improvement, the increase in backlogs and the lack of an integrated approach to housing delivery are clearly matters of concern that necessitates an urgent policy review. Among the other findings of this study, the following is submitted:

- Completion of restructuring and filling of vacant posts - this will clearly have a positive impact on the way the WCDoH sets about meeting the goals in several other programme areas.
- Reducing time taken for processing subsidies – currently this averages around 3.5 months. The desired output is to reduce this to one month.
- The WCDoH needs to promote alignment and consensus on housing priorities.
- The WCDoH needs to engage the housing component of the IDP - a considerable amount of work still needs to be done on integrating housing into the planning processes of municipalities.

- Related to the previous point, housing delivery must be demand-led and integrated into the developmental processes of the municipalities.
- More attention also has to be paid to urban planning with regard to dysfunctional human settlements.
- In general the housing subsidy scheme has been well managed. However, a significant number of municipal officials felt that the funds for the scheme were insufficient. The data above on the number of grants issued compared to the backlog combined with unspent funds is an indication of the gap between the current and desired output.
- A major weakness of the current housing policy is that it perpetuates spatial apartheid and this is partly related to a lack of affordable and well-located land in the Western Cape. A comprehensive land registry/database in a central location is essential to eliminating this weakness in the policy. At the time of interviewing key officials, it was learnt that this database was held in piecemeal form in several other departments. Apart from the inefficiency this creates it could lead to higher costs that result from imprecise or inadequate information and duplication of functions.
- The reports and data reviewed in this study suggest that the present policy on housing provision for the poor does not appear to have followed well documented empirical evidence in the literature on the linkage between housing, poverty alleviation, growth and social development. Given the structural nature of poverty in South Africa that stems from the Apartheid era and the stark separation of the poor from economic opportunity, this is a serious flaw that needs urgent attention especially if the promise of the *iKapa* concept is to be fulfilled.
- Tied to the previous point, there appears to be far too much emphasis on quantity rather than quality in housing for the poor. Housing developments that do not include schools, clinics, shopping and recreational amenities and are located a significant distance from mainstream commercial activity tend to give rise to new problems that manifest themselves in a range of social pathologies and dysfunctional behaviour. Over the long-term the cost of this disorder can be far greater to society than any “savings” that may have been made from providing inferior housing.
- The Department’s current mode of housing provision appears as a function that is undertaken in response to the circumstances of particular individuals or communities. Whilst this is one of many obligations that government must honour, it is nevertheless observed that housing is a crucial sector of the economy with substantial developmental impact. Were this framework to be adopted, the Department would likely play a more dynamic role in the growth and development of the Western Cape economy.

Recommendations

The following recommendations are made with respect to the filling of the “gaps” in the public provision of housing in the Western Cape Province.

Finalise restructuring process

It is recommended that the WCDoH finalise the organogram and fill all vacant posts as soon as possible. The funds allocated for capacity building should also be utilised fully.

Providing more resources to capacitate the housing functions in municipalities

There is a clear and unambiguous need for increased capacity to deliver housing at the municipal level. The need is manifest in the technical, managerial and administrative areas and possibly at the practical level as well where implementation is delayed because of a lack of skills. It is therefore recommended that the appropriate level of financial resources be made available to municipalities to bring the capacity in line with carrying out the functions related to housing.

Communicating the importance of engaging the housing component in the IDP process of municipalities

A series of workshops need to be undertaken with municipal officials to encourage them to include housing as a central component of the development process and to link it with other development initiatives. Specifically, the Department should ensure that housing projects are linked to the provision of schools, clinics, community centres, shopping and recreational amenities and that they should be close to transport nodes.

Spatial integration

Create housing opportunities close to employment and other social and economic opportunities. A recent study in Natal found that transport costs for the breadwinner in terms of fares are as high as 20% of total monthly disposable income (Aucamp and Moodley: 2002). These costs increase substantially if one takes into account the transport costs for children who have to travel to schools and clinics that are located out of their areas of residence. This shows clearly that the relocation of low-income housing to more accessible land has a direct impact on household budgets, and can greatly assist in poverty alleviation since commuting distances are substantially reduced. Spatial integration should be accompanied by the creation of quality urban environments that are situated in well-located areas and leads to residential intensification.

It is recommended that spatial integration be achieved through the vertical and horizontal integration of multi-year plans and funding mechanisms, better location of housing projects as well as the integration of factors into housing like job creation and environmental soundness.

Subsidising the cost of land

In the Cape Town Metropolitan area and other urban centres the scarcity of land for housing in combination with speculation of land prices has resulted in the cost of land becoming prohibitively expensive. This effectively excludes housing developments for low-income families, once again perpetuating the cycle of peripheral housing with its attendant consequences of alienation and continued impoverishment. It is believed that this cycle can be broken with appropriate intervention from Treasury and in this regard it is recommended that financial resources be channelled to the WCDoH to enable it to subsidise the cost of land that has been identified as a potential site for low-cost housing.

Alternative sources of financing

It is recommended that alternative sources of financing be investigated for low-income housing so as to begin to reduce housing backlogs.

Pro-poor service policies

Maintenance costs of homes are key issues relating to household's affordability to pay for housing. There is thus a need for a pro-poor approach to service delivery where payments for residential services such as rates, sanitation, electricity and refuse-removal are regulated at the local level in such a way that it will benefit poor households. Key to this issue is the affordability of such services. A study undertaken by Bayat and Mosdell (2002) investigated the impact that a pro-poor service delivery strategy has had in the City of Cape Town over the past two years and found that a pro-poor tariff regime positively impacts on household's affordability to pay for key services such as water, sanitation, electricity and refuse removal.

It is therefore recommended that the Department workshop such pro-poor service strategies with other municipalities who provide housing. These pro-poor service strategies go hand in hand in making housing more affordable to low-income households and helps in the promotion of the creation of sustainable human settlements.

Densification

Land is a scarce resource in the Province. Well-located land within the existing urban fabric is generally not readily available. There is thus a need to start thinking about residential densification. Densification is the process whereby residential densities are increased in a planned and meaningful way within the existing boundaries of a specific area (CMC: 2000). More dense housing solutions such as three storey walk-ups and duplexes should be workshopped with beneficiaries and investigated.

Sustainable development

When the term 'sustainable development' was first used in the Brundtland Report in 1987 it sought to make the world aware of the two parallel forces that were the leading causes of environmental degradation: one was the high consumption patterns of the rich, industrialised countries and the economic activity that was needed to generate and maintain those levels of consumption; the other was the struggle of the poor in the developing world to eke out an existence in the face of permanent unemployment and no alternative source of income. The term has since become part of the standard vocabulary of economists and ecologists who believe that life on earth is threatened unless there is a dramatic change in the way we approach the nexus between the quality of life and the natural world.

At its deepest level sustainable development offers us the choice of satisfying our present-day needs without depriving future generations of the opportunity to live a fully human life. In so far as housing is concerned, several studies have shown that poor communities that enjoy security of tenure tend to become more enterprising and their levels of motivation rise. When tenure is combined with economic opportunity a virtuous cycle is generated in which local economies flourish, productivity rises incrementally, the community begins to enjoy better health due to improved nutrition and a sense of social

cohesion begins to take root as petty crime is reduced. One effect of this virtuous cycle is reduced vulnerability of communities who, through a widening of opportunities and choices, can be encouraged to engage in activities that are less destructive of the environment.

Regulatory framework

In the course of this research it was learnt that housing projects have to be submitted to the Deeds office for approval. This normally means that the requests from the Department and the municipalities fall into a queue that is comprised of businesses and other private homeowners seeking to register their properties. This often delays the process of implementation which is costly and prolongs the hardship that low-income households suffer while trying to find a stable place to live. It is therefore recommended that the present system of registration of properties be streamlined so that their requests can be expedited and the queue system be retained only for other users.

HIV/Aids and housing

Current government housing policy concentrates on facilitating the provision of housing for those sections of the country's population that make up a large part of urban informal settlements, hostels, squatter camps, the rural poor and farm workers. The high incidence of HIV/AIDS infections and related diseases, however, has given cause to consider re-formulating the policy on housing in order to meet the needs of the changing circumstances of the target groups.

The Western Cape is reported to have an HIV infection rate of 8.6% for the year 2001, which is slightly lower than the 8.7% rate for the year 2000. While this is the lowest HIV prevalence rate compared to other provinces in South Africa, the effects are no less devastating on some families, especially those in poor communities.

The target groups for housing thus far have been based on socio-economic status, with tenure and ownership being granted to those who qualify using income and other criteria. Increasingly though, HIV/AIDS is affecting the size and composition of households that may render the conventional criteria inapplicable and aggravate the problem of homelessness. Adults who qualified for housing assistance but who have become victims of AIDS may no longer be able to meet their financial obligations. As parents succumb to AIDS and related illnesses their children become the heads of households. This has a number of implications for tenure and ownership as well as the housing of orphans.

The issue can be illustrated with the case of the Msunduzi Municipality in KwaZulu-Natal. Its population of 570,000 has a prevalence rate of 18 per cent of HIV-AIDS. This has forced the Msunduzi Municipality to make provision for the care of at least 100,000 people. The effect of such a high rate of infection is stark: 250 AIDS or TB related deaths per month are recorded, mainly in the 20-39 year age group; up to 60% of inpatients have AIDS related illnesses 10,000 AIDS orphans live in the municipality

It is recommended that a HIV/Aids policy in relation to housing be developed to ensure that the system of provision is sufficiently flexible to adapt to the changing needs of households afflicted with the disease.

Conclusion

The WCDoH has demonstrated that it has an impressive capability to administer and deliver housing to a wide variety of end-users. There is also a strong alignment between the Department's objectives and strategy with that of the NDoH. The high rate of poverty and destitution coupled with severe unemployment, however, has rendered some of the Department's efforts less effective. This calls for a review of the current policies, resource allocation and delivery mechanisms. This has already been initiated by the NDoH and has been earmarked in the *iKapa* concept. These moves augur well for housing provision provided that housing features more prominently in the overall development strategy of the Province so that the net benefits of housing can filter through to those who suffer the most serious deprivation.

The recommendations in this chapter are principally aimed at nudging this policy change along. In a province with such a well-developed infrastructure and a large pool of skills, housing provision need not suffer from the constraints that are known to plague other provincial administrations. A creative combination of financial resources and strategic integrated planning could see housing provision play a far more dynamic role in this economy. The most serious challenge for the WCDoH, is to ensure that housing effectively dismantles spatial apartheid, which continues to act as a structural brake on economic progress. Through the multiplier effect several other industries would be stimulated that, in turn, holds out the promise of job creation.

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People Consulted

- The Head of Department of Housing, Mr J.W. Africa
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- The Chief Financial Officer, Mr P. Bredekamp
- The Assistant Director of Housing Policy, Mr Brian Deaton
- Officials dealing with the provision of public housing in selected municipalities in the Western Cape Province
- Warren Smith from the Development Action Group (DAG)
- Tobie Louw from Africon
- Ashraf Adam from MCA Planners

Discussion of different role players in the Public Housing Sector

The NDoH is responsible for the development of housing policy and has developed a national housing code that provide guidelines for administrative, financial and institutional support to provincial, municipal and other national bodies that are engaged in housing delivery and development programs. The NDoH also supports local governments and monitors their performance and compliance with the national housing programme.

Provincial governments are key intermediaries in the delivery of housing. They are responsible for developing the provincial housing policy and legislate on housing matters that fall within their provincial boundaries, as long as the legislation is not in conflict with national legislation. Some of their activities include: support for housing development to municipalities, approving housing subsidies and projects (Intergovernmental fiscal review: 2003).

Municipalities are key role players in the delivery of housing opportunities to the poor. It is at this level where integrated development planning takes place. Municipalities play a key role in the provision of bulk engineering services like water and sanitation and can also administer housing programs when given accreditation by the National Department.

There are a number of housing parastatals that specialise in housing finance and promote different delivery options but they are largely based in Gauteng.

In the Western Cape there are several NGOs that are active in the housing sector. Among the services they render are capacity building and technical support for organisations such as the People's Housing Process (PHP). The three main NGOs in the Western Cape include the Development Action Group (DAG), People's Dialogue (the NGO support arm of the Homeless People's Federation, founded in 1991) and Habitat for Humanity. The Cape Town Community Housing Company, the largest provider of institutional subsidy housing in the Western Cape, is also a non-profit organisation (although it was set up by the City of Cape Town). There are also a number of non-profit housing utility companies such as Communicare and Newhco, but they are not primarily involved in subsidised housing (DAG: 2003).

Since the introduction of the new procurement policy in 2001, conventional private sector developers have little role to play in subsidised housing delivery. The main role of private sector developers is providing housing for households in the R3500+ per month income group. Private sector companies are mainly involved in subsidised housing delivery as contractors and project managers rather than as developers (DAG: 2003).

Overview of performance (tables)

Programme 1: Administration

Programme 1: Administration	Sub-programme 1.1: Restructuring of the Housing Department	Measurable objective 1: A work-study investigation and implementation of recommendations.			
		Core Outputs (current) Draft organogram and vacant posts.	Core Outputs (desired) Restructured establishment.	Outcomes (current) Inefficiencies in service delivery. Administration not as responsive as it could be.	Outcome (desired) A well-functioning housing administration and effective service delivery.

Data Source: Budget 2003, Department of Housing 2002/2003

Programme 2: Planning and subsidy administration

Programme 2: Planning and subsidy administration	Sub-programme 2.1: Fair distribution of funding based on the Provincial Housing Plan.	Measurable objective 1: To allocate funds to 30 municipalities			
		Core Outputs (current) Municipalities are aware that funding is based on the provincial housing plan.	Core Outputs (desired) Fair distribution of funding based on the provincial plan.	Outcomes (current) Progressive realization towards achieving the desired outcome.	Outcome (desired) Reduction in the housing backlog based on area of greatest need.
	2.2: To capacitate developers and municipalities	Measurable objective 1: To promote housing policy by advising and assisting municipalities and developers.			
		Core Outputs (current) Capacity building initiatives undertaken by the WCDoH.	Core Outputs (desired) Capacitated developers and municipalities	Outcomes (current) Lack of demand led and integrated developmental planning processes.	Outcomes (desired) Better socio- economic outcomes.

Programme 2: Planning and subsidy administration	Sub-programme 2.3: To train and develop capacity at the municipal level	Measurable objective 1: Undertake skills audit and gap analysis at municipalities.			
		Core Outputs (current) Training and development programmes.	Core Outputs (desired) Empowered municipal officials.	Outcomes (current) The lack of attention given to urban planning consideration lead to adverse socio- economic outcomes. E.g. Dysfunctional human settlements.	Outcomes (desired) Functional human settlements

	2.4: Process subsidy applications and pay claims	Measurable objective 1: Ensure that housing funds are spent in terms of applicable procedures and principles.			
		<p>Core Outputs (current)</p> <p>Municipal officials indicated that they had to wait 3.5 months on average after applications were submitted to the Department to get approval for projects. In the case of one large municipality, they had to wait a year before getting approval for a project.</p>	<p>Core Outputs (desired)</p> <p>Approve subsidy applications and process payments within 30 days.</p>	<p>Outcomes (current)</p> <p>Progressive realisation towards more efficient service delivery impacts on the well-being of the poor.</p>	<p>Outcomes (desired)</p> <p>More efficient service delivery and better outcomes for the poor.</p>

Data Source: Budget 2003, Department of Housing 2002/2003

Programme 3: Housing subsidy programme

Programme 3: Housing subsidy programme	Sub-programme 3.1: Housing subsidy programme.	Measurable objective 1: Provide subsidies to qualifying beneficiaries in terms of housing policy.			
		<p>Core Outputs (current)</p> <p>92% of the housing grant was spent on the provision of low-cost housing opportunities.</p>	<p>Core Outputs (desired)</p> <p>To allocate 100% of the subsidy grant towards the provision of low-cost housing opportunities to reduce the housing backlog.</p>	<p>Outcomes (current)</p> <p>Despite the fact that substantial resources are being directed at housing the poor, these funds are often not used to maximise the socio-economic outcomes that can be realised from such an allocation. E.g. urban sprawl.</p>	<p>Outcomes (desired)</p> <p>Maximise the socio-economic outcomes that can be realised from the subsidy allocation.</p>

Data Source: Budget 2003, Department of Housing 2002/2003

Programme 4: Urban renewal and human settlement redevelopment

Programme 4: Urban renewal and human settlement redevelopment	Sub-programme 4.1: Urban renewal	Measurable objective 1: To promote and support the upgrading of informal settlements.			
		<p>Core Outputs (current)</p> <p>Departmental drive to upgrade informal settlements.</p>	<p>Core Outputs (desired)</p> <p>To promote and support the upgrading of informal settlements by ensuring that households have access to basic services.</p>	<p>Outcomes (current)</p> <p>Better health and productivity outcomes.</p>	<p>Outcomes (desired)</p> <p>Better health and productivity outcomes.</p>

	4.2: Human settlements	Measurable objective 1: To promote the alignment of different budgets.			
		Core Outputs (current) Lack of integrated development.	Core Outputs (desired) Integrated development.	Outcomes (current) Lack of demand led and integrated developmental planning processes.	Outcomes (desired) Better socio-economic outcomes.
	4.3:	Measurable objective 1: To create integrated and functional humans settlements			
		Core Outputs (current) Lack of integrated functional human settlements.	Core Outputs (desired) Integrated functional human settlements.	Outcomes (current) Housing projects that are not functional or integrated have been associated with an increase in criminal behaviour and other social pathologies and their reduction therefore becomes crucial to overall socio-economic improvements.	Outcomes (desired) Better socio-economic outcomes.

Data Source: Budget 2003, Department of Housing 2002/2003

Programme 5: Rental housing

Programme 5: Rental housing	Sub-programme 5.1: Promotion of rental housing	Measurable objective 1:			
		Core Outputs (current) Better provision of rental accommodation.	Core Outputs (desired) Promotion of rental housing	Outcomes (current) The current socio-economic environment can be enhanced through the provision of rental accommodation.	Outcome (desired) Better economic and social outcomes such as increased productivity.

Data Source: Budget 2003, Department of Housing 2002/2003

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Glossary/Abbreviations

Aims	:	Used in this chapter to include goals, objectives, mission statements, etc. of government at national and provincial level
CBPWP	:	Community Based Public Works Programme
Core outputs	:	The principal outputs resulting from the activities of the Public Works Branch
Desired outcomes	:	Broad outputs defined by the strategic policy aims of government. Core outputs should lead to the achievement of desired outcomes
Economic empowerment	:	Used in the context of this chapter to include all activities that contribute to the economic well-being of the poor. It is not confined to training and education
Operational outputs	:	Outputs that are necessary for the achievement of core outputs
PGWC	:	Provincial Government of the Western Cape
Public Works Branch	:	All activities of the Department connected with the development, maintenance and management of provincial property and excludes public transport, roads infrastructure, corporate affairs and financial management. It also includes the CBPWP.

Executive Summary

It is intended that this chapter should provide a framework for the future evaluation of the activities of the Public Works Branch. At this initial stage, this report is essentially a discussion document which requires examination, modification and ratification by the management of the relevant departments and branches before becoming an operational tool particularly with regard to Table 5 which deals with proposed Desired Outcomes and Proposed Core Outputs. Preliminary findings of this chapter are summarised below. This chapter is restricted to two branches within the Department of Transport and Public Works, i.e., Public Works (Programme 2) and the Community Based Public Works Programme (Programme 5).

Current Situation

- National, provincial and branch policy aims, which should determine the desired outputs of the Public Works Branch's activities, are clearly stated in the documentation available and tend to focus more on socio-economic than technical factors. In many ways the context within which the branch now operates has shifted in recent years from mainly technical objectives to socio-economic in addition to technical objectives. This change in emphasis is reflected in the establishment of the branch's Community Based Public Works Programme. No inconsistencies were found between the policy aims at national, provincial and branch level. Desired outcomes are proposed by the authors stemming from these policy aims.
- The current core outputs of the branch are identified from the activities of the branch. Generally, these are found to be consistent with the desired outcomes proposed by the authors. Most of the differences occurred as a result of omission rather than contradiction, i.e., failure to state clearly some of the current outputs. It is important to note that many of the activities and outputs of the Public Works Branch are very much in keeping with desired outcomes emanating from policy aims but these are never stated as core outputs. In order to overcome this, the authors have drawn up a list of proposed core outputs required to achieve desired outcomes; some of these are new, others are already stated in the documentation.
- While a certain degree of integration and co-ordination in the planning area exists between the Public Works Branch and other government and non-government players in the field is noted, it is felt that this is insufficient if holistic socio-economic aims are to be achieved. For example, it is difficult to understand why the provincial Department of Housing and the Department of Transportation and Public Works are separate entities
- It is noted in the report that the Public Works Branch's budget represented 4,6% of the total provincial budget and 51% of the Department of Transport and Public Works, budget.

Desired Situation

- While it is appreciated that many of the branch's activities result in socio-economic benefits to the community, it is suggested that the ethos of the branch should develop more rapidly to include socio-economic in addition to technical related goals. It is important that all employees in the branch understand and subscribe to this

broader ethos. It is also important that the branch has a clear and current understanding of its role vis-à-vis government policy.

- The branch should, on an on-going basis, ensure that its strategic planning results in its core outputs contributing as much as possible to the achievement of government policy aims.
- The branch needs to recognise its broader role in socio-economic development and to this end to ensure that it develops and maintains strong ties with other public and private sector organisations in this field.
- The branch should at all times have a staff complement with the necessary technical and socio-economic skills to ensure that it is able to efficiently provide those outputs needed for the attainment of government policy aims.
- Because of the service that the branch provides for a number of other provincial departments, it is important that the branch has an on-going and efficient means of monitoring 'user or client satisfaction'.

How to Close Gap

- The branch needs to clearly define its core outputs vis-à-vis government policy aims. These outputs need to be fully communicated and subscribed to by all employees of the branch.
- The role of the branch vis-à-vis government policy needs to be monitored on an on-going basis in order to ensure that core outputs are consistent with these policies
- The Public Works Branch possibly needs to play a more proactive, rather than responsive, role in developing and submitting proposals on how it can contribute to the attainment of government aims.
- If the Public Works Branch's core outputs are to contribute to the achievement of national and provincial government policy aims, a greater proportion of its budget will have to be devoted to the socio-economic well-being of residents of the province. In addition, the size of the budget will also need to be reviewed. A more active role by the branch in proposing action for the attainment of government aims might result in increases to its budget.
- In recognition of the multi-disciplinary nature of community development, the branch needs to participate more fully with other departments and branches in the planning of projects

Introduction

Purpose of this chapter

In any large organisation such as the Provincial Government, the operations of the different departments or sections which make up the organisation are carried out in terms of the aims and objectives of that organisation. In other words, one would expect the outputs of the different departments to be consistent with the expectations of the larger organisation as implied by its aims and objectives. In practice, however, this does not always happen to the extent that it should for a variety of reasons such as unrealistic aims; unawareness, disagreement or misunderstanding of these aims by the management of the department; lack of sufficient resources to carry out the necessary actions to achieve these aims. These aims are normally appear in policy documents as mission statements, policy imperatives, goals, aims, objectives, etc.

This chapter was commissioned by the Provincial Treasury of the Western Cape with a view to developing procedures for more effective funding allocations in the context of provincial aims. The following statement by the acting Head of the Department of Transportation and Public Works, contained within the Strategic Plan 2003/04 to 2005/06, illustrates the change in policy of the department leading, *inter alia*, to the need for this chapter:

“The focus of the department has changed over the last few months to a commitment to provide services in a way that is empowering, people-centred and to redress past imbalances. In this respect the modus operandi is being changed to ensure that social justice is achieved through departmental programs. In order to do this we are questioning the status quo, both in terms of the identification of projects, as well as in the way we deliver on these projects. In the case of the former, the department is building into its prioritisation framework a social prioritisation framework as a measure to be used in conjunction with the technical prioritisation framework.” (p.5, PGWC, Strategic Plan, 2003/4 to 2005/6)

Furthermore, this chapter is in keeping with the provincial Treasury’s proposal that its *“capacity should be developed to equip it properly for fulfilling its role in distributing resources, on the basis of effective public programmes, to meet government’s strategic objectives.”* (p.vii, PGWC, Western Cape Fiscal Policy, 2003-2006)

The main purpose of this chapter is to identify the core output indicators of the Public Works Branch of the Department of Transport and Public Works with a view to establishing a procedure for the assessment of the efficacy of the operations of the branch within the context of desired outputs defined by national and provincial government strategic policy aims. The concept of ‘efficacy’ is used in this investigation rather than ‘efficiency’ since this chapter is mainly concerned with developing a procedure for establishing the degree to which desired results are being achieved rather than with the efficiency of the operation. These core outputs of the Public Works Branch will be compared with the desired outcomes of the Provincial Government in order to identify any discrepancies that might exist.

The Public Works Branch, for purposes of this chapter, includes Programme 2 and 5 as defined in Budget 2003.

Chapter Questions

- What is the essential business of the Public Works Branch?
- What are the goals, aims and objectives of the Provincial Government and of the Branch as presently stated? What strategies are employed to achieve these aims?
- Are all members of the Branch familiar with these goals, aims and objectives? Do they subscribe to them?
- Should these goals, aims and objectives be added to or modified in order to make the Branch a more effective operating unit?
- What is the nature and extent of the Branch's property holdings in the Western Cape?
- What is the present strategy of the Branch with respect to the management of its property holdings?
- To what extent does the present strategy contribute to the goals, aims and objectives of the organisation?
- What human and financial capacity does the Branch have in order to achieve its goals, aims and objectives?
- What recommendations may be made for closing the gap between actual outputs and desired outcomes?

It should be noted that the above questions are not dealt with specifically but, rather, are concerns that inform the chapter.

Methodology Employed, Terminology and Limitations of this Chapter

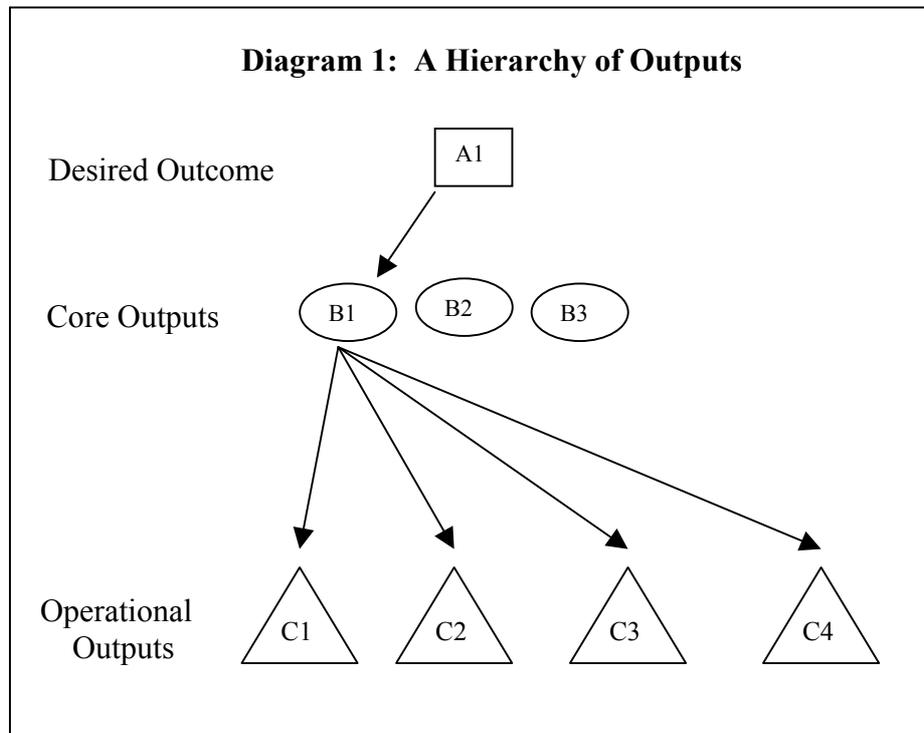
In the short time available to carry out the study, only information from PGWC documents have been used. It has not been possible, for example, to compare the operations of the Public Works Branch with similar operations elsewhere in the country and internationally: clearly, lessons could be learnt from a more comparative analysis than has been possible in this case.

In addition to Provincial Government reports, useful information was provided by two senior employees of the branch – particularly with regard to provincial aims and branch strategies.

For the purposes of this chapter, outputs are regarded as a means to achieving a certain outcome, i.e., outcomes sit at the top of the hierarchy with different levels of output occurring below. For example, to achieve a higher level outcome of community empowerment would require a number of lower level outputs such as, increasing literacy, creation of jobs, etc. The former may be called an outcome and the latter two, outputs. This hierarchical way of viewing outputs is depicted in Diagram 1 below where A1, as a desired outcome, would be achieved by core outputs B1, B2, and B3. In order to achieve B1, four lower order outputs, C1 to C4 would be necessary. In this way, the operational activities of an organisation are defined. In this chapter we are concerned with desired

outcomes and core outputs and not with the lower order operational outputs that are necessary to achieve the higher order outputs.

Another view is to regard outcomes as the socio-economic objectives for the province as a whole such as economic growth, decrease in the poverty rate, better living environment, etc. Outputs may be seen as the vehicle for obtaining these outcomes.



The term, Public Works Branch, is used here to include all those activities connected with the development, maintenance and management of provincial property and excludes public transport, roads infrastructure, corporate affairs and financial management. It also includes the activities of the Community Based Public Works Programme (CBPWP). In the budget, the activities of the Department of Transport and Public Works are divided into five programmes – administration, public works, roads, transport and community based public works programmes. This chapter is restricted to the activities of public works and community based public works programmes (Programmes 2 and 5).

This chapter represents an initial attempt to identify the gap between core outputs and desired outcomes. In the time available it is not possible to provide detailed answers to all the questions raised above; it is intended that this document will provide the basis for future discussion and further research around these strategic issues.

Background to Public Works Branch

The Branch's Mandate

The Public Works Branch of the Department of Transport and Public Works is authorised to:

“provide accommodation for all provincial departments, to manage the provincial property portfolio for the optimum benefit of all those concerned and to render professional and technical services to departments in respect of buildings and related infrastructure.” (p.342, *PGWC, Budget 2003*)

In addition, it is required to:

“Ensure delivery of accessible services through integrated, socially just, developmental and empowering processes in order to improve the quality of life of communities within the Western Cape by way of community development programmes.” (p.355, *PGWC, Budget 2003*)

Ethos and Values of the Branch

It is recorded that the department's working environment will be guided by the following principles:

- Delivery-orientated;
 - Community needs driven;
 - People centred;
 - Innovative;
 - Promoting leadership;
 - Highest level of integrity and ethics;
 - A development oriented focus;
 - Promoting socially just and excellent service delivery;
 - Accountability and transparency;
 - Valuing our human resource;
 - Respect for diversity;
 - Representivity, and
 - A learning organisation adapting and responding to changing opportunities.
- (Source: p.7, *PGWC, Strategic Plan, 2003/4 to 2005/6*)

Budget

In the Table 1 below, the budget vote for 2003/2004 and actual budgets for the two previous years are given.

Table 1: Budget of Public Works Branch

Programme	2000/01 Actual R'000	2001/02 Actual R'000	2003/04 Vote R'000	Change in vote over previous yr's actual
Public Works	407 626	469 372	692 330	48%
Community Based Public Works Programmes	2 164	2 180	48 465	2123%
Administration*	3 779	8 729	16 251	86%
Total	413 569	480 281	757 046	58%

Source: p.339, PGWC, Budget 2003

* Pro-rata estimates used.

It is to be noted from the above table that there is a considerable increase (58%) in the amount voted for public works expenditure in 2003/04 compared to the actual expenditure in the previous year. Much of this increase is attributable to the increase in the amount allocated to Community Based Public Works Programmes. The total vote of R757,1 million for Public Works Branch amounts to 51% of the total budget vote of R1,5 billion for the Department of Transport and Public Works which, in turn, represent 4,6% of the total Provincial budget of approximately R16,4 billion.

Operational Activities

The Public Works Branch operational activities are set out in two programmes. The first, Public Works (Programme 2), requires the Public Works Branch to:

- construct new facilities;
- upgrade, rehabilitate and maintain existing facilities in the provincial departments of health, education, agriculture and social development;
- manage the property portfolio of the province, and
- render professional and technical services to provincial departments with respect to buildings and related infrastructure.

(Source: p.342, PGWC, Budget 2003)

The second programme, the Community Based Public Works Programme (Programme 5), requires the Public Works Branch to:

- provide opportunities for tertiary students and unemployed persons to obtain education and training;
- engage in empowerment impact assessment; to initiate and implement community development programmes;
- initiate and implement community development and economic empowerment projects;
- support the development of emerging contractors, and

- provide transversal staff resources for community based public works programmes (p.355, PGWC, Budget 2003).

These activities are dealt with later in more detail in the Section “Identification of core outputs of the Branch” of this chapter.

National and Provincial Policy Aims

An important aspect of this chapter concerns the degree to which operational outputs of the Public Works Branch are consistent with desired outcomes as contained or implied in policy aims and objectives of the National Government, Provincial Government and of the Public Works Branch. Policy aims at three different levels are considered *viz.*, national, provincial and the Public Works Branch. The word ‘aim’ is used in this context to include goals, objectives, etc.

National Policy Aims

The following broad or high-level policy aims have been extracted from the State of the Nation Address by the President of South Africa on 8 February 2002:

- Eradication of poverty and underdevelopment;
- Strengthening the focus on human development and deepening the skills capacity of the economy by channelling sufficient resources into health, education, training and skills development;
- Improve capacity to combat and reduce crime;
- Commitment to social transformation to improve equity;
- Increased focus on issues that enhances the achievement of higher rates of economic growth and development;
- Improve efficiency;
- Debt redemption, and
- Partnerships with communities to improve access to affordable basic services.

(Source: p.1, PGWC, Western Cape Fiscal Policy 2003 - 2006)

The above is a selected list of national policy aims or imperatives. There are further, more low level, aims contained in the President’s address but which have not been included here.

Provincial Policy Aims

The Province’s policy is embraced within its ten strategic goals which are stated as follows:

- To establish the Western Cape Government as caring and representative, providing quality, equitable and accessible services to all its persons.
- To orientate Government towards the poor by ensuring basic services, an indigent policy, a safety net and a caring budget.

- To fight HIV/Aids and other diseases in a co-ordinated and comprehensive manner which includes the provision of anti-retroviral drugs, lifestyle intervention and sustained action against poverty.
- To deracialise and integrate all state financial institutions in a responsible manner to maintain stability and good order.
- To develop the capacity of local government to ensure the rapid and comprehensive implementation of Integrated Development Programmes and free basic services.
- To stimulate economic growth – both in the traditional and emerging sectors – with appropriate infrastructural development, and to the benefit of all through, amongst others, procurement reform.
- To focus on agriculture and tourism towards rural development so that all inhabitants can live harmoniously and in safety.
- To promote policies which will maintain a healthy balance between protecting the environment and developing the economy.
- To contain and eradicate crime through good intergovernmental co-operation so that the Western Cape can be a safe and secure home, especially for its women and children.
- To nurture our diversity and promote our various cultures, religions and languages to become the source of our unity and strength.
- *iKapa elihlumayo* (the Growing Cape).

(Source: pp.2,3 PGWC, Western Cape Fiscal Policy 2003 - 2006)

Public Works Branch Aims

These are obtained from two sources - firstly, an overview by the acting head of department to the Strategic Plan 2003/04 to 2005/06 which is partly quoted in the previous section and, secondly, a list of strategic goals from this same document. It should be noted that some of these aims overlap or are interconnected while some are higher level than others:

- to provide an empowering, developmental, people centred service that redresses past imbalances;
- the achievement of social justice;
- the inclusion a social prioritisation framework in addition to the technical framework;
- to embrace the principle of community participation;
- to develop a more representative and committed workforce;
- to democratise the workplace;
- to empower employees through the introduction of an adult basic education and training programme;
- community development and economic empowerment of the poor;
- job creation;
- providing access and opportunities to all communities with a bias towards the disadvantaged;
- facilitation and enhancement of economic opportunities;
- to promote rural development;
- internal transformation and capacity building to improve service delivery, and

- to align all planning processes with the broader developmental goals of the department.

(Source: pp.5,6: PGWC, Strategic Plan 2003/4 to 2005/6)

Consistency of Policy Aims

The question arises as to whether or not the three sets of policy listed above are consistent with one another and to what extent the policy aims at national and provincial level are relevant to the activities of the Public Works Branch. In addition, any omissions in the Public Works Branch's aims vis-à-vis national and provincial aims need to be highlighted.

Generally the policy aims at all three levels are consistent with one another with the lower order aims being encompassed by the higher order aims. However, the provincial aim concerning the environment is not included in the Public Works Branch aims. This would seem to be an important omission since many of the Public Works Branch's activities would normally have a significant environmental impact. In addition, the national policy aim of efficiency, although implied, is not included in the branch's policy aims.

Certain national and provincial policy aims are not directly relevant to the operation of the Public Works Branch. This would include issues concerning crime, debt redemption, HIV/AIDS and diversity. It might be argued, however, that there is an indirect link to the activities of the Public Works Branch.

Desired Outcomes Emanating from National and Provincial Policy Aims

In this section 'desired outcomes' that fall within national and provincial policy aims are identified using the information contained in the previous section. Only those aims that fall within the regular activities of the Public Works Branch are considered. It should be noted that the desired outcomes appearing in Table 2 below are proposed by the authors and are not derived from any other official source.

The question arises as to the difference in meaning between the word 'output', as dealt with in the next section, and the term 'desired outcome' in this section. The term 'desired outcome' in this context is used as a higher level result than an output, i.e., desired outputs emanating from the policy level should be congruent with outputs resulting from activities at the operational level.

The National and Provincial policy aims appearing in Table 2 are derived from and are a synthesis and rewording of those policy aims set out in the previous section. Only those policy aims that are seen to be relevant to the activities of the Public Works Branch are included.

Table 2: Selected National and Provincial Government Aims and Proposed Desired Outcomes for Public Works Branch

National Aims	Provincial Aims	Proposed Desired Outcomes
<ul style="list-style-type: none"> • Reduction of poverty and underdevelopment • Human development • Improved equity • Economic growth and Development • Institutional efficiency • Social transformation 	<ul style="list-style-type: none"> • Provision of quality, equitable and accessible services in urban and rural areas • Creation of employment and entrepreneurial opportunities in formal and informal sectors • Balancing of economic and environmental development • Establish and implement an equitable system of procurement of infrastructure • Ensuring basic services for the poor • Develop capacity of local govt. with regard to Integrated Development Programmes • Create greater levels of community participation with regard to decision-making • Establish partnerships with communities • < <i>iKapa elihlumayo</i> • (Growing the Cape) 	<ul style="list-style-type: none"> • General satisfaction by user groups with services provided by Public Works Branch • Greater social awareness in planning and implementing branch activities • Positive economic, social and environmental impact of branch's activities • Good quality accommodation and maintenance work that meets user needs • Efficient and effective property management • Significant involvement of poorer community in decision-making • Integration of branch with other government departments at national, provincial and local levels with regard to planning and development issues • Working agreements with other organisations and communities where appropriate • Development of life-long skills through education and training programmes • On-going identification, monitoring and prioritisation of needs of poorer community • Identification and prioritisation of community development and economic empowerment projects • Capacity building of Public Works Branch staff • Awareness, understanding and commitment to Public Works Branch aims by employees • An equitable and efficient procurement system

Identification of Core Outputs of the Branch

The activities of the Public Works Branch were broadly identified in an earlier section. In this section these activities will be examined in more detail in order to identify core outputs and the relevant indicators for these outputs which can be used to establish extent to which policy aims are being achieved

The following activities are set out in the Budget 2003 (Vote 10):

Programme 2: Public Works

- provide infrastructure (including buildings) for provincial departments;
- maintenance and upgrading of infrastructure;
- management of provincial property portfolio, and
- render professional and technical services to provincial departments with respect to buildings and related infrastructure.

(Source: p.342, PGWC, Budget 2003)

Programme 5: Community Based Public Works Programme

- provision of education and training opportunities;
- engage in empowerment impact assessments;
- initiate and implement community development and economic empowerment projects;
- support development of emerging contractors, and
- provide transversal staff resources for community based public works programmes.

(Source: p.355, PGWC, Budget 2003)

In this section core outputs that are related to desired outcomes in terms of national and provincial policy are taken from the Budget and the Strategic Plan. See Table 3 below.

Note: selected outputs taken from budget 2003 have been reworded and restricted to 'core' outputs – lower order outputs have not been included. Some of the core outputs listed below appear in the budget as 'measurable objectives'.

It appears that there is an empowerment assessment activity but no empowerment projects or outputs except those pertaining to roads p.356 VII. Why is empowerment aspect excluded from Programme 2? In fact what is the justification for separating Programmes 2 and 5? This separation might result in Programme 2 ignoring developmental issues such as equity, empowerment, etc. There seems to be a need to have greater clarification on the meaning of the term 'empowerment'. At present it seems to be restricted to education and training.

The degree to which the Public Works Branch wishes to be proactive with regard to community development and empowerment is important when assessing whether or not national and provincial aims are achieved, i.e. the branch needs to have a clear policy on this otherwise nothing will be done particularly in the light of limited resources.

Table 3: Mandated Activities and Core Outputs of the Public Works Branch

Mandated Activities	Current Core Outputs
<p>A. <u>PUBLIC WORKS</u> (Programme 2)</p> <p>a. Provision of infrastructure for provincial departments</p> <p>b. Maintenance and upgrading of infrastructure</p>	<p>A1. Prioritisation and implementation of identified projects within time, budget and quality requirements</p> <p>A2. Maximisation of empowerment opportunities for historically disadvantaged contractors</p> <p>A3. Preserve and maintain the provincial property portfolio in order for the end user to effectively execute their core business</p> <p>A4. Assessing the suitability of existing contract documentation including increased media used for publication of tenders</p> <p>A5. Preparation and distribution of communication material</p> <p>A6. Establishment of support unit</p>
<p>c. Management of provincial property portfolio</p>	<p>A7. Establish a policy framework for the management of provincial properties</p> <p>A8. White paper on the management of provincial properties</p> <p>A9. Preparation of an accommodation and infrastructure strategic plan for province</p> <p>A10. Communication of policy framework and strategic plan to all stakeholders</p> <p>A11. Optimisation of social, financial, developmental and environmental return on the provincial property portfolio through the management, development, disposal and acquisition of properties</p> <p>A12. Promulgate legislation</p> <p>A13. Updated condition assessment of properties</p> <p>A14. User needs analysis report</p> <p>A15. Functionality analysis report including social and environmental assessment</p> <p>A16. User agreements and other legal documentation</p> <p>A17. Utilisation analysis report including social and environmental assessment</p> <p>A18. Financial performance and cost reports</p>
<p>d. Render professional and technical services to provincial departments with respect to buildings and related infrastructure</p>	<p>Budget 2003 contains no specific outputs for this activity</p>

Mandated Activities	Current Core Outputs
<p>B. COMMUNITY BASED PUBLIC WORKS PROGRAMME (Programme 5)</p> <p>a. Provision of education and training opportunities</p>	<p>B1. Implement experiential training programme</p> <p>B2. Recruit and secure placement of students</p>
<p>b. Engage in empowerment impact assessments</p>	<p>B3. Prepare implementation and guideline documentation</p> <p>B4. Institute empowerment impact reporting process</p> <p>B5. Presentation of empowerment procedure to line functions</p> <p>B6. Provide empowerment assessment reports for projects >R0.5 million.</p>
<p>c. Initiate and implement community development and economic empowerment projects related to the core functions of the department</p>	<p>B7. Maintenance of education buildings</p> <p>B8. Provision of health clinics HIV/AIDS counselling rooms</p> <p>B9. Establish the community based public works programme branch</p>
<p>d. Support development of emerging contractors</p>	<p>B10. Establish an emerging contractor development programme (ECDP)</p> <p>B11. Compile a business plan</p>
<p>e. Provide transversal staff resources required to achieve community based public works programme objectives</p>	<p>B12. Establish the community based public works programme branch</p> <p>B13. Provide transversal staff resources for community based public works programmes</p>

Source: adapted from PGWC, Budget 2003 (pp.342 – 344 and pp.355-356)

The Degree to which Core Outputs are Consistent with Desired Outcomes

In this section the core outputs identified in Section 5 (Table 3) are evaluated in terms of the degree to which they are consistent with the desired outcomes proposed in a previous section (Table 2). Each desired outcome is considered separately. It should be noted that although certain core outputs appear to be absent, this not necessarily a reflection that the branch is not meeting a particular desired outcome; very often these core outputs have simply not been listed in the documentation; discussions with the heads of the two programme branches confirmed this. The stated aims of the Public Works Branch (see earlier section) also indicate its operational intentions even though these are not always specified in the branch's outputs.

Table 4: Consistency of Core Outputs with Proposed Desired Outcomes

Note: The figures appearing in brackets refer to core outputs from Table 3 which relate to the specified desired outcome

<i>Proposed Desired Outcomes</i>	Consistency of Present Core Outputs with Proposed Desired Outcomes
1. <i>General satisfaction by user groups with services provided by Public Works Branch</i>	While some of the core outputs are aimed at good service provision, there does not appear to be any output which specifically attempts to establish and assess the level of user satisfaction. However, although not stated as an outcome, it does appear that the CBPWP branch makes an active effort to establish user satisfaction with many of its projects. (B6)
2. <i>Greater social awareness in planning and implementing branch activities</i>	A number of outputs are congruent with this desired outcome. In many ways the creation of the CBPWP is aimed at this outcome. (A2, A4, A6, A11, A15, B3, B5, B9, B10, B12)
3. <i>Positive economic, social and environmental impact of branch's activities</i>	A number of core outputs are congruent with this outcome. However, there appears to be no procedure for assessing and evaluating the impacts of branch activities (A2, A4, A11, A18, B1, B2, B9, B10, B12)
4. <i>Good quality accommodation and maintenance work that meets user needs</i>	This outcome is adequately covered although it is not clear whether or not the stated outputs include procedures for establishing user satisfaction. (A1, A3)
5. <i>Efficient and effective property management</i>	The stated core outputs should lead to the achievement of this outcome. It is not clear, however, whether or not these outputs include any strategic guidelines for the purchase and disposal of property or the assessment of the economic costs and benefits of property ownership by the province. (A7 to A18)
6. <i>Significant involvement of poorer community in decision-making</i>	There appear to be no core outputs that lead to the achievement of this desired outcome. However, in the case of the CDPWP this does appear to happen although not stated as an output.
7. <i>Integration of branch with other government departments at national, provincial and local levels with regard to planning and development issues</i>	There appear to be no core outputs that lead to the achievement of this desired outcome. Here again this does happen in practice but to a limited extent.

Table 5: Consistency of Core Outputs with Proposed Desired Outcomes (Continued)

Proposed Desired Outcomes	Consistency of Present Core Outputs with Proposed Desired Outcomes
8. <i>Working agreements with other organisations and communities where appropriate</i>	There appear to be no core outputs that lead to the achievement of this desired outcome
9. <i>Development of life-long skills through education and training</i>	The two core outputs identified in Table 3 are consistent with this desired outcome. These core outputs, however, need to be supplemented with additional outputs in order to fully achieve this outcome. (B1, B2)
10. <i>On-going identification, monitoring and prioritisation of community needs</i>	There appear to be no core outputs that lead to the achievement of this desired outcome although this does happen to a limited extent
11. <i>Identification and prioritisation of community development and economic empowerment projects</i>	There appear to be no core outputs that lead to the achievement of this desired outcome
12. <i>Capacity building of Public Works Branch employees</i>	There appear to be no core outputs that lead to the achievement of this desired outcome
13. <i>An equitable and efficient procurement system</i>	Most core outputs are congruent with this outcome. (A1 – A6, B1 – B13)
14. <i>iKapa elihlumayo (Growing the Cape)</i>	A number of core outputs are congruent with this outcome

Proposed Core Outputs

In this section a list of core outputs which correspond to each proposed desired outcome is proposed. These proposed core outputs are defined at a level immediately below that of the desired outcomes, i.e., they do include more specific or detailed operational outputs that are required to achieve the higher level outputs and, ultimately, the desired outcomes. Some of the core outputs listed below are taken from Table 3 while others are proposed by the researchers. Only higher level or core outputs are included here.

Table 5: Proposed Desired Outcomes and Core Outputs

Proposed Desired Outcomes	Proposed Core Outputs
1. <i>General satisfaction by user groups with services provided by Public Works Branch</i>	<ul style="list-style-type: none"> ▪ Monitoring procedures for assessing user satisfaction with regard to all projects and services provided by Public Works Branch
2. <i>Greater social awareness in planning and implementing branch activities</i>	<ul style="list-style-type: none"> ▪ Liaison with community and other organisations dealing with social issues ▪ Education and training of branch employees with respect to social ▪ Opportunities and implications of their work ▪ Empowerment guidelines for both Programme 2 and 5
3. <i>Positive economic, social and environmental impact of branch's activities</i>	<ul style="list-style-type: none"> ▪ Procedures for assessing economic, social and environmental impacts of proposed projects ▪ On-going liaison with emerging contractor organisations including a comprehensive directory of emerging contractors showing capacity and experience ▪ Maximisation of empowerment opportunities for emerging contractors
4. <i>Good quality accommodation and maintenance work that meets user needs</i>	<ul style="list-style-type: none"> ▪ Prioritisation and implementation of identified projects within time, budget and quality requirements ▪ Preserve and maintain the provincial property portfolio in order for the end user to effectively execute their core business ▪ Procedure for establishing user needs on an on-going basis
5. <i>Efficient and effective property management</i>	<ul style="list-style-type: none"> ▪ Policy framework for the management of provincial properties ▪ Accommodation and infrastructure strategic plan for province ▪ Communication of policy framework and strategic plan to all stakeholders ▪ Optimisation of social, financial, developmental and environmental return on the provincial property portfolio through the management, development, disposal and acquisition of properties ▪ User needs analysis report ▪ Functionality analysis report including social and environmental assessment ▪ Utilisation analysis report including social and environmental assessment ▪ Financial performance and cost reports
6. <i>Significant involvement of poorer community in decision-making</i>	<ul style="list-style-type: none"> ▪ Formal linkages with community bodies ▪ Appropriate procedures for communicating technical information to community groups

Table 5: Proposed Desired Outcomes and Core Outputs (*Continued*)

Proposed Desired Outcomes	Proposed Core Outputs
7. <i>Integration of branch with other government departments at national, provincial and local levels with regard to planning and development issues</i>	<ul style="list-style-type: none"> ▪ On-going liaison with other government departments with a view to providing integrated projects ▪ Establish and monitor needs of other government departments for professional and technical services
8. Working agreements with other organisations and communities where appropriate	<ul style="list-style-type: none"> ▪ Establish working arrangement with provincial and local authority departments of housing to ensure inclusion of community development and economic empowerment projects in the planning of housing projects
9. <i>Development of life-long skills through education and training</i>	<ul style="list-style-type: none"> ▪ Development and implementation of education and training programme for previously disadvantaged and for poorer communities ▪ Development and implementation of in-service training and education programme for tertiary students ▪ Procedure for the monitoring and subsequent performance assessment of participants ▪ Establish an emerging contractor development programme
10. <i>On-going identification, monitoring and prioritisation of needs of the poorer community</i>	<ul style="list-style-type: none"> ▪ Develop and maintain contacts with community-based bodies ▪ Develop process for identifying community needs
11. <i>Identification and prioritisation of community development and economic empowerment projects</i>	<ul style="list-style-type: none"> ▪ Procedure for identification and prioritisation of projects with respect to equity, empowerment and poverty alleviation ▪ Institute empowerment impact reporting process
12. <i>Capacity building of Public Works Branch employees</i>	<ul style="list-style-type: none"> ▪ Develop and implement a capacity building programme for branch employees
13. <i>An equitable and efficient procurement system</i>	<ul style="list-style-type: none"> ▪ Assessment procedure for establishing suitability of existing contract documentation including increased media used for publication of tenders ▪ Maximisation of empowerment opportunities for emerging contractors ▪ Establishment of a support centre
14. <i>iKapa elihlumayo (Growing the Cape)</i>	<ul style="list-style-type: none"> ▪ Development of strategy aimed specifically at this aspect

Findings and recommendations

In the previous section a set of core outputs has been proposed which need to be carried out in order to achieve certain proposed desired outcomes (Table 5) which, in turn, were derived from government policy statements at the national and provincial levels. In this section a number of recommendations are made which are intended to contribute to the successful operational application of what is proposed in Table 5.

- Initially, this chapter set out to compare desired outcomes with core outputs of the Public Works Branch. It was found, however, that neither the outcomes nor the outputs were always clearly stated in the documentation available and that, therefore, the researchers had to develop a set of *proposed* outcomes and outputs gleaned from the documentation. For this reason, it is necessary for the Public Works Branch to examine what has been proposed and to make changes where these proposals are considered to be inappropriate, i.e., it is important that there is agreement within the branch with regard to the set of desired outcomes and core outputs which will determine the activities of the branch.
- It is evident from Table 4 that core outputs, as presently stated in the documentation, are not always consistent with those desired outcomes suggested by government policy. This is not necessarily the result of the branch's activities not being consistent with government policy but, rather, with the absence of stated core outputs by the branch. It is thus necessary, as stated above, for the branch to develop a clearly stated set of core outputs which will contribute to the achievement of desired outcomes. It is also important that these core outputs are fully communicated and subscribed to by all employees of the branch.
- The Public Works Branch needs to develop a formal strategy for achieving core outputs. In effect this would require developing a series of lower order outputs which would be required to achieve the higher order outputs as depicted in Diagram 1.
- In order to achieve many of the desired outcomes greater integration is needed between the activities of Public Works Branch and other provincial departments. For example, the activities of the Department of Housing and the Public Works Branch are clearly closely related. In fact it is not clear why this separation exists. If truly integrated residential neighbourhoods are to be established then these two provincial functions need to be combined at the planning stage.
- It is clear from government policy, particularly at the national level, that social development is a top priority and that therefore the mandated activities of provincial and local government should be in keeping with this view. From this it would seem imperative that the Public Works Branch ensures that it establishes a better balance between its traditional technical abilities and those required for social reform. This would imply employing a larger proportion of people with social skills to work hand in hand with those with good technical skills.
- The Public Works Branch has, to a certain extent, recognised this need for greater social reform by introducing the Community Based Public Works Programme (Programme 5) which concentrates on social development. While its budget has increased substantially in 2003, it is still only about 7% of that of the Public Works branch (Programme 2). The budget for this aspect of the branch's activities needs to reflect more closely the resources required to achieve the desired outcomes dictated by government policy.

TRANSPORT

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Glossary/Abbreviations

KPM : Key Performance Measures

Executive Summary

The Provincial Treasury of the Western Cape appointed the University of Stellenbosch to assist with the assessment of the performance (specifically the outputs) of the Department of Transport and Public Works: Transport Branch and to compile a paper that identifies the gap between the current and desired nature and extent of outputs produced by the department. This report should be read as the first phase of a process, which is intended to move increasingly towards greater sophistication in defining outputs/outcomes in finding measures to close the gap between the two. It consequently forms an integral component of the budget-reform process.

Introduction

The Provincial Treasury of the Western Cape appointed the University of Stellenbosch to assist it with the assessment of the performance (specifically the outputs) of the Department of Transport and Public Works: Transport Branch and to compile a sector review that identifies the gap between the current and desired nature and extent of outputs produced by the department. This report should be read as the first phase of a process, which is intended to move increasingly towards greater sophistication in defining outputs/outcomes in finding measures to close the gap between the two. It consequently forms an integral component of the budget-reform process.

The following specific tasks were undertaken:

- **Desired outcomes** were identified as defined by national policy documents, provincial policy documents and strategic plans;
- **Core outputs** were identified for each of the **Key Measurable Objectives** that will allow measurement in the department by using the strategic plan, budget statements and the annual reports of the department and other sources, including the key personnel within the Branch. Of particular importance is the contribution by departments towards the “Growing Cape” concept, implying active application of departmental resources to economic growth and development in the province and even beyond;
- **Key Performance Measures** were identified for the core outputs;
- The quantitative or qualitative gaps between the core outputs and the realisation of desired outcomes were determined;
- The degree of correlation between the assessed performance of the department against its core outputs and the desired outcomes was determined;
- Proposals were made for the way that these gaps may be bridged by either reprioritisation within the budget, the introduction of new output targets or other steps, specifically relating to:
 - 2003/04 (short term), and
 - over the MTEF 2004/05 to 2006/07 (medium term).

Management of the transport branch

The Branch is managed in terms of a Key Measurable Objective Management System (KMO Management System), developed to measure service delivery in respect of Branch Priority Programmes. KMO is therefore an information system rather than a control system, which receives input from the following reports and actions produced, updated and undertaken on an annual basis by the Branch. The management system covers the following:

- The Five-Year Service Delivery Programme, which sets out the main deliverables that could be achieved during this year and the next four years, given the expected funding levels;
- The Service Delivery Plan, describing the services that the Branch aims to deliver during the current financial year;

- Progress Reports, assessing how the actual service delivery measured up to the promised service delivery. These Progress Reports are structured according to Cabinet Priority Projects as well as according to Branch Core Strategies;
- Inputs required by the Provincial Treasury for the budgetary process;
- The Generation of Own Revenue: Management Report, which is updated annually with new information, initiatives and targets;
- A Management Plan, containing a strategic plan, a summary service delivery plan, a description of the organisational and post structure of the Branch, as well as a human resources plan;
- The Performance Agreements of the management of the Transport Branch, containing objectives and targets for key outputs.

Identification of desired outcomes

Introduction

A distinction can be made between **functional** outcomes and **fiscal** outcomes. Functional outcomes focus on the line functions of the branch and the extent to which these are supportive of provincial and national policies. From the perspective of the Transport Branch, fiscal outcomes are those that have to do with the prudent application of the allocated funds to achieve the set strategic functional outcomes.

Functional socio-economic outcomes

Desired outcomes of the Province of the Western Cape

The desired outcomes of the province were obtained mainly from the strategies, objectives and goals of *iKapa elihlumayo*. Page 5 of 24 of the Budget Speech 2003 list three enabling **strategies** for achieving *iKapa elihlumayo* namely the fight against poverty, improving living conditions and expansion of the economy. Page 6 of 24 mention a number of **objectives** namely reduction of employment, addressing of income disparities and black/women economic empowerment. Page 9-10 of 24 list a number of **goals** namely fiscal discipline, making the province more effective and efficient by restructuring services, and the fact that the province should not be inward looking but that it should focus on socio-economic outcomes. Based on these stated socio-economic policies, the following outcomes have been defined:

- economic growth
- employment creation
- a reduction of inequality
- eradication of poverty and the provision of a social “safety net”

The current outcomes of the Transport Branch (see Section “Current outcomes of the Transport Branch” below) should be measured against the above desired provincial outcomes.

Current Outcomes of the Transport Branch

The vision of the Branch is to provide the best provincial transport system for all. In order to achieve this, its mission is to deliver an integrated, accessible, safe, reliable, affordable and sustainable transport system through socially just, developmental and empowering processes, to improve the quality of life for all.

The strategic outcomes of the Branch are based on the strategic objectives of the White Paper on Provincial Transport Policy. These outcomes conform to those of the province as a whole, as well as to those at national level. The following is a condensed list of strategic outcomes that the Branch should endeavour to pursue:

- **Economic growth and sustainable development**
Use transport policy and practice as strategic instruments in achieving growth, development, reconstruction and redistribution. This includes the reduction of existing inequalities in access to opportunity through the use of transport, as well as spatial development policy instruments. Energy consumption should be optimised and ecological impacts minimised to be responsive to achieving environmental sustainability.
- **Institutional structures and support**
Encourage the provision of appropriate organisational and institutional structures at all levels of government which are able, efficiently and effectively, to undertake the planning, management, operation, implementation, funding, regulation and law enforcement of the land-passenger transport system. Active support should be provided to local organisations in implementing, operating and maintaining additional transport capacity. Partnerships should be established between each level of government and the public transport industry to foster growth, development, reconstruction and redistribution of opportunities in the industry.
- **Funding needs**
Sustainable funding mechanisms should be established through the allocation of financial responsibilities, as well as the establishment of additional funding sources for use by district and local transport authorities. Existing investment in transport infrastructure and resources should be protected through appropriate and timeous maintenance effort in order to avoid costly rebuilding of the road network.
- **Public transport**
Improve and promote the use and provision of viable and affordable public transport services. Promote growth and stability in the public transport industry, facilitating investment and providing job security.
- **Safety and law enforcement**
Substantially improve public safety and security on all public transport services, especially with regard to vulnerable groups such as women, children, the elderly, the disabled and tourists. Road safety should be enhanced through engineering improvements, the consistent enforcement of traffic rules and regulations, and through road-user training and education. All necessary facilities and resources

should be provided to ensure that the road-freight industry conforms to all legal requirements, and such provisions should be enforced rigorously and consistently.

Current key responsible areas of the Branch

Under current legislation the Transport Branch has the following main responsibilities:

- Developing transport policy and provincial transport legislation;
- Provide transport planning support to local authorities;
- Providing, maintaining and managing the provincial road network;
- Vehicle licensing
- Planning for and facilitating of road-based public transport, which includes managing the taxi restructuring and formalisation process;
- Promotion of road safety.

Fiscal outcomes

Fiscal outcomes can be divided into two groups, namely financial management and fiscal envelope.

Financial management outcomes, which include accountability, accounting, chief financial officers, capacity building, financial systems, cash management, contingent liabilities, departmentalisation and supply-chain management, is dealt with in a separate report namely “The Expenditure Review”.

Fiscal envelope outcomes refer to the availability of funds and reserves for spending over the medium term. In the case of the Transport Branch the necessary capacity to spend depends on the following factors:

- the availability of enough sufficiently qualified personnel within the Branch to manage large and complex projects;
- the availability of enough sufficiently qualified personnel in local government to manage funds provided for tasks such as the maintenance of gravel roads and implementation of public transport projects;
- the availability of consultants with the necessary technical skills to provide assistance to the Branch;
- the availability of skills and plant of the private contractors.

Gap between desired Provincial outcomes of current Branch outcomes

The outcomes of the Roads and Transport programmes conform to the outcomes envisaged in the various policy documents (see Section “Identification of desired outcomes”). It can therefore be concluded that there is not a gap between the desired outcomes of the Province and the stated current outcomes of the Branch as reflected in the stated transport policy and the key responsible areas of the Branch.

Assessment of the stated key measurable objectives, outputs and key performance measures in terms of the desired provincial outcomes

The “gap analysis” is undertaken according to the performance evaluation hierarchy established in the Strategic Plan, as well as in the study Terms of Reference. This performance hierarchy is as follows:

LEVEL 1: Desired **Outcomes** of the Province of the Western Cape. In the previous section above it was concluded that the current Outcomes of the Branch conform to the desired outcomes of the Province.

LEVEL 2: **Key Measurable Objectives** of each sub-programme to achieve the desired outcomes.

LEVEL 3: **Outputs** required for achieving each Key Measurable Objective

LEVEL 4: **Key Performance Measures** to measure the outputs

The analysis focuses on how each level contributes towards the achievement of the next higher level in the hierarchy.

The Key Measurable Objectives, Outputs and Key Performance Measures of the Transport Branch of the Department of Transport and Public Works are identified in the 2003/04 to 2005/06 Strategic Plan. The Key Measurable Objectives and Outputs are summarised in Table 1 (attached at the end of the chapter) according to programme and sub-programme.

It should be borne in mind that transport is a derived demand for goods and services. As such the achievement of the Branch’s Key Measurable Objectives is a necessary but not a sufficient condition for the achievement of the Province’s outcomes. The implication that this has for this study is that, unlike many other sectors of the economy, there is often not a directly measurable link between the extent of the achievement of the Branch Key Measurable Objectives and the achievement of the Provincial outcomes.

General comments relevant to all programmes

- The vision and mission of the Branch are clearly focused on service delivery to the public at large. However, feedback from the public is not reflected in the stated Key Measurable Objectives, which should provide answers to the following questions:
 - How many feedback opportunities were there in a particular year?
 - Is a record kept of complaints and compliments?
 - What corrective action was taken to resolve complaints?
 - What improvement occurred?
- There are more Outputs in the 2003/04 to 2005/06 Strategic Plan for a particular Key Measurable Objective than is the case in the 2001/02 Annual Report. Outputs are also better defined in the latter report.
- The formulations of the Key Performance Measures need to be very specific in their meaning and in what they are measuring. For example, in some instances “percentage completion” of a report is given as a delivery measure, when it would

have been more appropriate to indicate “deadline” or the specific “phase of completion”.

- The achievements of some of the Key Performance Measures are dependent on the extent of the budget allocation. It would be more appropriate to measure performance within the environment of budgetary limitations.
- There is not a Key Performance Measure (KPM) for every stated Output.

Roads Programme

- The Planning, Design, Construction, Maintenance, Overload Control and Technical Support sub-programmes should each be linked to its own outcome (see Table 1), rather than be grouped under one heading without any indication of which outcome applies to which sub-programme. Without a clear link, it would not be possible to assess the performance of the sub-programmes individually.
- The 2001/02 Annual Report provided an exhaustive list of rehabilitated, reconstructed and newly constructed roads as an output. The 2003/04 to 2005/06 Strategic Plan does not provide a similar list of planned projects.

Transport Programme

- In effect the transport programme deals only with public transport. If the intention is for it to cover the entire transport field, then a substantial number of additional outcomes, outputs and Key Measurable Objectives will have to be added. Alternatively, it is proposed that the name of the programme should be changed to “Public Transport”.
- The NLTTA stipulates certain deadlines for the completion of the statutory plans under Outcome B. These deadlines are not reflected in the KPMs.
- In the case of infrastructure projects (Output C.2) the focus should be on the number of projects that were implemented and the number of public transport users who benefited from the projects, rather than on the number of district municipalities in which the projects were implemented.
- The Public Transport Plan and the Integrated Transport Plan would determine the extent and nature of the infrastructure requirements. However, there is no indication that these plans will be completed in the medium term. Interim measures that will have to be instituted to ensure that infrastructure spending is efficient should be reflected in the output.
- A large proportion of the funds for infrastructure projects will have to be channelled to local authorities for implementation. Many of the district municipalities do not have the necessary capability to manage the identification, planning, design, implementation, maintenance and operation of public transport facilities. Appropriate outcomes, outputs and KMOs should be identified to address the lack of public transport planning capacity at local authority level outside the City of Cape Town.

Proposals to bridge the gap between stated and desired key measurable objectives, outputs and key performance measures

Roads programme

- Add the following Key Performance Measures (KPM) to Outputs B.1,2,3,4,5:
 - The annual vehicle operating-cost savings achieved through the maintenance programme. This can be used to determine the efficiency of the maintenance programme by dividing the projected savings in the year following the maintenance programme by the cost of the programme, thus arriving at a first-year rate of return. It should be fairly easy to extract this information with the assistance of the existing pavement management computer software;
 - The percentage of the total value of the contracts that were forthcoming from private sources, either in the form of direct monetary contributions or through toll concessions.
- Add Output B.6: Reconstruction and improvement of road infrastructure. The following KPMs should be used to measure new Output B.6.
 - The internal rate of return of the combined investment in road infrastructure. In this respect it should be noted that the internal rate of return of road projects is calculated anyway before a decision on their implementation is made, usually using the World Bank-endorsed HDM IV programme. It would take minimum time and effort to aggregate these results. In the case of unfinished projects, or work in progress, it could be added on a pro rata basis;
 - The percentage by which the budget on individual projects was exceeded, or saved;
 - The percentage of the total value of the contracts which were forthcoming from private sources, either in the form of direct monetary contributions or through toll finance.
- Add Output G.8: Provision of a cost-effective service to other government departments. The following KPMs should be used to measure Output G.8:
 - Daily rate;
 - Kilometre rate.

Public Transport

- Add the following KPMs to Output C.2:
 - The number of people who would benefit annually from the improvements;
 - The percentage completion of projects;
 - The percentage by which the budget on individual projects was exceeded, or saved.
- Add Output C.3: Capacity building within local authorities to manage funds allocated for public transport infrastructure projects. The following KPMs should be used to measure Output C.3:
 - Number of local authorities with public transport divisions within their organisational structure;
 - Number of local authorities who have nominated officials to manage the public transport function.

- Add provisional Outcome G: Recapitalisation of the minibus-taxi industry. The output of this new outcome is intended to monitor the implementation of the recapitalisation programme of the national government in the province. The KPMs can only be determined once there is certainty from national level what the target date for the process is.

Performance assessment from an efficacy perspective

Outline

The performance assessment is undertaken from an efficacy perspective and entails the measurement of actual performance, i.e. what was supposed to be done/accomplished, against stated output, i.e. what was actually done/accomplished. For the purpose of this investigation it was based primarily on information obtained from the 2001/02 Annual Report of the Department of Economic Affairs, Agriculture and Tourism (the 2002/03 Annual Report will be made available only at the end of August 2003). Information from that report was supplemented with information from the Expenditure Review Report of 2002, as well as a number of the technical reports and discussions held with transport practitioners.

Extensive restructuring of the Transport Branch took place between 2001/02 and 2002/03. Whereas the Branch previously resorted under the Department of Economic Affairs, Agriculture and Tourism, it is now part of the Department of Transport and Public Works. The restructuring also had an effect on the identification of programmes and sub-programmes. For example, current Programme 3 "Roads" was previously a sub-programme under the programme "Transport". Other previous sub-programmes such as "Transport Programmes" and "Government Motor Transport" now fall within a new sub-programme "Transport Administration" in the "Roads" programme. The previous format was used for this assessment.

Transport Branch overall

Overall the Branch performs well in spending its budget allocation, considering the nature of large civil engineering projects, as well as the fact that it had to undertake emergency repairs to infrastructure as a result of flood damage. Although it is too soon to assess the full extent of the effect that the restructuring mentioned in the previous Section had on the Branch, it can be safely concluded that overall it had a positive effect on output and was received very well by officials.

Roads

Of the 29 outputs identified, 25 were achieved within 10 percentage points of the target - six of these exceeded the output target. What makes the roads sub-programme's performance all the more remarkable is the fact that it also had to respond to an unexpected natural disaster in the form of flood damage to certain roads and bridges. This enabled the economy of the region to continue functioning with the minimum of disruption and prevented large scale layoffs of workers in the low income groups, particularly farm workers. It also enabled the restoration of much needed social services

to rural communities. This means that the roads sub-programme was able to meet the desired provincial Outcomes related to economic growth poverty alleviation and social services.

In the case of maintenance the set targets were exceeded by a considerable margin. This is commendable if one bears in mind that the protection of the road assets must surely be the first priority and that this performance was achieved in an environment where there is a substantial shortfall in funds required for road maintenance (*Ref 5*).

All of the rehabilitation and new projects, which should have been completed by the end of the financial year, have either been completed or are in the final phase of completion, i.e. 90% or more completed. In this respect it should be borne in mind that the substantial size, complexity and duration of these contracts make it extremely difficult to complete them on time.

It should also be mentioned that the Branch has made a concerted effort to make maximum use of the available funds for the maintenance, rehabilitation and upgrading of roads through mainly the following initiatives:

- Private finance was attracted through public-private partnership agreements. Prime examples of this are the Chapmans Peak Drive toll road, the first provincial toll road in the country, and contributions made by farmers towards the upgrading and maintenance of gravel roads such as the Dasklip Pass;
- Use of maintenance cost-saving methods (used as a case study by the World Bank);
- A saving in cost was achieved by adopting lower road geometric and pavement standards in cases where the circumstances allow this and where safety will not be compromised.

This meant that roads sub-programme was able to achieve a level of efficacy that exceeds its budget allocation, as alternative sources of funds were mobilised to assist in attaining the desired provincial outcomes.

The Branch has also performed well in terms of the policy and legislative framework, considering the number of policy and legislative revisions undertaken. Only the drafting of the Western Cape Transport Amendment Act and the policy on control over advertising fell significantly short of their targets. However, both documents are approximately halfway to completion and external circumstances could have caused unforeseen delays. This should consequently not be seen as a sign of under-performance.

Management and administration performed well in achieving their targets, whereas the targets for capacity building, SMME promotion and job creation were all exceeded.

If any negative point has to be raised against the roads sub-programme, it is the future sustainability of its good performance. There are two factors which, if left unattended, could lead to under-performance in future:

- Insufficient fund allocation for the maintenance and rehabilitation requirements. This is having a compounding effect, as it is substantially more expensive to address maintenance backlogs than to keep roads in a well-maintained condition;
- A shortage of suitably skilled technical (engineering) staff. The Branch is losing skilled personnel at an alarming rate through resignations and retirements. Engineers are not being replaced, either through new appointment or through training, at a sufficient rate. The average age of technical staff is well beyond the acceptable level. However, this problem is not unique to the Branch and is endemic to the civil engineering profession as a whole.

Transport Programmes

The Transport Programmes, which are responsible for managing licence-fee collection, special vehicle registration numbers, abnormal load permits and permits for activities within road reserves, achieved all their stated targets. However, neglect by certain local authorities to send out vehicle licence renewal notices caused discontent among vehicle owners in the province.

Public Transport

Public Transport is a relatively new sub-programme of the Transport Branch. Its significance lies in the fact that there is a shift in emphasis towards public transport in an effort to provide accessible and safe transport to all citizens. (The public transport budget consequently increased by 412.3% from R 19,669 million in 2001/02 to R 100,748 million in 2002/03.)

Of the 12 outputs identified, only one has been achieved to date. This was the establishment of a representative minibus-taxi structure, which was completed a month earlier than the target date of March 2002. Enquiry about the current status of the listed programmes revealed that the Current Public Transport Record of the five district municipalities had been completed at the end of March 2003 (target output December 2002). By August 2003 the operating licence strategy studies of the district municipalities have not commenced (target date for completion was March 2002), despite the fact that the National Land Transport Transition Act stipulates that it should follow the completion of the CPTR by no more than two months. The Operating Licence Strategy of the City of Cape Town, which was scheduled for completion by December 2002, has yet to commence. This is also the current status of the Rationalisation Plan, which should have been completed by July 2002.

Unfortunately, no percentage completion was provided for unfinished reports and consequently an assessment of the extent of work required to complete these reports could not be made. A matter of concern, though, is that six of the 12 outputs had not commenced in 2002. Given the time that it takes to conclude this process, coupled with the delays that might be expected during the process, it is unlikely that these targets will be achieved.

Given the weak performance in completing the policy documents, plans and strategy documents, as well as the fact that there is little experience in spending large amounts of funds on capital projects within the public transport sub-programme, it has to be

questioned whether the sub-programme will be able to spend its allocation for capital projects of R92,905 m (up from R19,665 m in 2001/02) judiciously. This concern is echoed in the 2002 Expenditure Review, which expressed dissatisfaction with the fact that the budget documentation does not give a detailed breakdown of the projects planned.

One of the main obstacles in spending large amounts of capital funds is the fact that several district municipalities do not allow for the public transport function in their organisational structure.

Strategic Development Programmes

None of the five output targets of the Strategic Development Programmes were achieved.

Government Motor Transport

The Government Motor Transport sub-programme has achieved all of its eight output targets. Five targets were exceeded by a considerable margin. Particular mention should be made of the fact that it was able to reduce its outstanding debt to R40 million, whereas the target output was set at R70 million.

Conclusions and recommendations

Conclusions are organised according to the previous subdivision of programmes and sub-programmes as per the 2001/02 Annual Report, whereas the recommendations follows the revised subdivision, as outlined in the 2003/04 to 2005/06 Strategic Plan.

Conclusions

- Although there remains room for improvement, the Transport Branch as a whole was able to make good use of the funds allocated to it. There are encouraging signs that the amount of unspent funds rolled over to the next financial year will decrease over the medium term, provided that allowance is made to reassign funds between programmes during the financial year. However, it should be recognised that the nature of civil projects makes it almost impossible to spend all the allotted funds in a particular year without running the risk of budget overruns.
- The Roads sub-programme performed exceptionally well in achieving its target outputs, particularly in the key delivery areas of maintenance, rehabilitation and improvement of the road network.
- The Transport Programmes sub-programme achieved all its stated targets.
- The performance of the Public Transport sub-programme was less than satisfactory. The most likely explanation for this is the fact that it is a relatively new division within the Transport Branch. It is therefore expected to lack the level of professional unity and capability that exists in the Roads division. However, it is intended that the budget allocation to Public Transport increase dramatically over the medium term. Although this is in line with the policy of promoting public transport, continued under-performance would lead to large-scale mismanagement of funds.

- None of the five output targets of the Strategic Development Programmes were achieved.
- The Government Motor Transport sub-programme has achieved all its Key Performance Measures.

Recommendations

General recommendations

- The supplementary Key Measurable Objectives Outputs and Key Performance Measures listed in the Section: “Proposals to bridge the gap” above should be introduced.
- In addition to the introduction of the specific supplementary Key Measurable Objectives Outputs and Key Performance Measures listed in the Section: “Proposals to bridge the gap” during the annual performance review process attention should be paid to the general comments made in the Section: “Assessment of the stated KMOs, outputs and KPMs in terms of the desired provincial outcomes”.
- The current performance of the Transport Branch as outlined in this report should be regarded as a baseline against which progress in performance should be assessed.
- Key Measurable Objectives should be based on benchmarks. Benchmarks could be the previous year’s performance, legislative requirements or private sector norms.

Roads programme

- Fund allocation to the maintenance of the road network should be increased substantially in order to protect road infrastructure assets from falling into a state of disrepair. Once a road has deteriorated beyond a certain level, the costs of rebuilding are considerably higher than the cost of an adequate routine maintenance regime.
- The Roads programme should take measures to retain the necessary technical expertise in order to ensure that its traditionally high standards could be maintained in the long term. It would therefore be necessary to include outputs that deal specifically with its internal capacity building and to allocate more funds to this aspect.

(Public) Transport programme

- Measures should be instituted as a matter of urgency to ensure that the (Public) Transport programme, as well as the local authorities which act as agents for the province in the implementation of public transport projects and programmes, has the technical capability and capacity to spend the increased budget allocation over the medium term efficiently.
- Reallocation of funds for the subsidisation of public transport services from the City of Cape Town, which currently receive all funds allocated for public transport subsidies, to district municipal areas in order to address the level of poverty, inequality and lack of social services in rural areas.

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Table 1: Summary of key measurable objectives and outputs of the transport branch

Programme	Sub-programme	Key Measurable Objective	Current Output	Additional Output
3. Roads	3.2 Planning 3.3 Design 3.4 Construction 3.5 Maintenance 3.6 Overload Control 3.7 Technical support	A. Develop and amend transport legislation	<ol style="list-style-type: none"> 1. Western Cape Road Management Act 2. National Road Traffic Act 3. National Road Traffic Regulations 4. Western Cape Transport Regulatory Act 5. Amendments to Roads Ordinance: Advertisements 6. Amendments to Roads Ordinance: Fees for way leaves 7. Amendments to Roads Ordinance: Minor roads in section 66 8. Regulations on Land Transport Transition Act (LTTA) / replacing legislation 9. Western Cape Transport Planning and Administration Act 	
		B. Provide, maintain and manage a provincial road network that is of sufficient standard to enable goods and passengers to be transported economically	<ol style="list-style-type: none"> 1. Routine maintenance of gravel roads 2. Routine maintenance of surfaced roads 3. Regravelling of roads 4. Maintain municipal main roads 5. Resealing of surfaced roads 	6. Reconstruction and improvement of road infrastructure
		C. Empower the previously disadvantaged sector of the Province and promote job creation	<ol style="list-style-type: none"> 1. Percentage of contracts by value awarded to HDI contractors 2. Number of communities awarded community-based maintenance contracts 3. Number of jobs created 	
		D. Improve road safety and road infrastructure protection measures	<ol style="list-style-type: none"> 1. Number of high accident spots eliminated 2. Accident statistics recorded and evaluated 3. Percentage of overloaded vehicles reduced 	
	3.8 Transport Admin.	E. Optimise financial resources	<ol style="list-style-type: none"> 1. Increased revenue from annual licence fees collected 2. Increased revenue from licence fees in arrears collected 3. Decrease in debts from licence fees in arrears 4. Increased revenue from special licence numbers 5. Increased revenue from abnormal load permits 6. Increased revenue from activities within road reserve 	

Programme	Sub-programme	Key Measurable Objective	Current Output	Additional Output
		F. Improve road safety and road infrastructure protection measures	<ol style="list-style-type: none"> Road safety improved and road infrastructure protected Inspection of driving licence testing centres Inspections of vehicle testing stations Evaluate/consult proposals 	
		G. Improve the quality of service delivery in respect of Government Motor Transport	<ol style="list-style-type: none"> Maintain vehicle asset register Renew vehicle fleet Recovery or write-off of old outstanding debt from previous years Training of Transport Officials Develop/document and implement business processes and systems improvements Undertake user surveys in order to improve user perception of GMT Improve vehicle management and control 	8. Provision of a cost-effective service to other government departments
4. Transport	4.2 Planning	A. Transformation of interim contracts into integrated scheduled contracts, eliminating destructive competition on routes	<ol style="list-style-type: none"> Multiple monopoly franchise contracts between operating companies and province Phase 1 of corridor network Providing scheduled service on fixed routes 	
		B. Development of statutory plans needed in terms of NLTTA to guide and control delivery of services and projects	<ol style="list-style-type: none"> Current Public Transport Records (CPTR) Operating Licence Strategies (OLS) Rationalisation Plans Public Transport Plans (PTP) Integrated Transport Plans (ITP) 	
	4.3 Infrastructure	C. Determine the needs for the infrastructure in the transport system in terms of the public transport plans and ITPs and to guide and control delivery of infrastructure projects	<ol style="list-style-type: none"> Infrastructure requirements Infrastructure projects 	3. Capacity building within local authorities to manage funds allocated for public transport infrastructure projects
	4.4 Empowerment and institutional matters	D. The training and upliftment of operators	<ol style="list-style-type: none"> Training courses and on-the-job training by accredited institutions to all stakeholders such as operators and municipalities 	

Programme	Sub-programme	Key Measurable Objective	Current Output	Additional Output
		E. Provide assistance with various empowerment initiatives	1. Development of a legal business entity representing the industry	
	4.5 Safety and compliance	F. Provision of public transport enforcement inspectorate for compliance and safety officers	1. The recruitment and training of officers, acquisition of vehicles and equipment and the provision of headquarters 2. Investigate and ensure compliance of operators with the NLTTA	
	4.6 Regulation and control	G. Regulation of public transport operations through operating licences	1. Conversion of permits to operating licences 2. Administer operating licence applications 3. Implementation of the National Transport Register	
		H. Registration of public transport operators	1. Number of associations and operators receiving final registration	

INTEGRATION WITH THE LOCAL AUTHORITIES: AN INITIAL STUDY

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Glossary/Abbreviations

Integrated Development Plan (IDP)

A strategic planning document each municipal council must adopt for its term in power, as required by section 25 of the Municipal Systems Act.

Executive Summary

Since the democratic elections in 1994 wide-ranging transformations have swept through South African Municipalities. These transformations have resulted in new municipal structures, boundaries and range of new processes that municipalities are required to follow. One of the processes is the legislated requirement of Integrated Development Planning.

All municipalities are required to prepare an integrated development plan that reflects the strategic priorities of that municipality based on priorities identified by the municipality and the municipality's local community. These plans should also be aligned with the strategic priorities of the provincial government so that both spheres of government are aligned to achieve the same objectives.

A ten-point framework guides the Western Cape provincial government's strategic priorities. The Western Cape provincial department's strategic plans appear to be these ten points as priorities. However processes addressing the HIV/AIDS pandemic and the deracialisation of government services are explicitly addressed by a low number of departments. The priorities as stated in the IDPs of the Western Cape Municipalities generally appear to be aligned with the priorities of the Western Cape provincial government and its departments.

The provision of basic services, law enforcement, tourism promotion, social development and environmental management appear to be the most important priorities as identified by Western Cape municipalities in their IDPs. However the spending priorities as indicated in municipal budgets appears to be directed towards the provision of basic services, administrative purposes, infrastructure and tourism and these spending priorities appear poorly aligned with the priorities stated in the municipalities' IDPs.

The format in which budgets are presented does not lend itself to easy analysis and expenditures directed at achieving IDP objectives may have been classified in a way that does not allow for this to be identified. Both the format of budgets and IDPs needs to be reviewed to allow for analyses of budgets and IDPs to establish if budgets are in fact addressing the priorities identified in the IDP. In this regard IDP priorities could be listed in classifications that are applied to municipal budgets. Municipalities should be given a comprehensive list of priority issues they can choose any combination of as priorities and use these same classifications in their budgets.

Background

South African Municipalities are required, by the Local Government: Municipal Systems Act (Act 32 of 2000), to prepare Integrated Development Plans (IDP). These are intended to be the strategic plan of municipalities that guide budgeting decisions and whose strategic priorities are aligned with that of the province within which the municipality is situated.

The introduction of the IDP requires a fundamental shift in processes in many municipalities and research has found varied results as a consequence of these processes. There has been a wide range of interpretations of the status and use of the IDP across municipalities from some municipalities producing documents that are of little or no use, to other municipalities producing documents that are valuable contributions that assist the facilitation of growth in the municipality.

One of the greatest problems arising from the IDP process is that few municipalities have aligned their budget priorities with those priorities stated in the IDP. This suggests that there is little commitment to the IDP promises made by municipalities.

The Western Cape Provincial Treasury approached AFReC Pty Ltd to conduct an analysis into the IDPs and Budgets of the Western Cape to inspect:

- The alignment of IDP priorities with those of the priorities of the Western Cape Provincial Government and the Western Cape Provincial Departments.
- The alignment between municipal IDPs priorities and spending priorities of the municipal budgets.
- The consistency, or lack of consistency, between provincial department expenditures and the expenditures of the municipalities.
- The range of municipal expenditure.

Due to data constraints the third above-mentioned aspect was not possible, however this document inspects, within data constraints, the other items listed above. It begins with an overview of the Western Cape Provincial Government priorities and compares these to provincial department priorities. The section that follows discusses and compares the municipal IDP priorities in the Western Cape with the above priorities. This is followed with an analysis of the alignment between the IDPs and the budgets of the Western Cape municipalities, an analysis of the budgeted expenditures and closes with a summary and a set of recommendations.

Western Cape Provincial Government Priorities

The strategic plan of the Western Cape provincial government identifies *iKapa elihlumayo* (*the growing cape*) as the growth and development strategy framework for the Western Cape. This builds on the budget 2002 theme that began to give content to the Western Cape's ten-point policy framework. The ten points of this policy framework are:

- Establish the Western Cape government as caring and representative, providing quality, equitable and accessible services to its entire people.

- Orientate government towards the poor by ensuring basic services, an indigent policy, a safety net a caring budget.
- To fight HIV/Aids and other diseases in a co-ordinated and comprehensive manner which includes the provision of anti-retroviral drugs, lifestyle intervention and sustained action against poverty.
- To deracialise and integrate all state financed institutions in a responsible manner to maintain stability and good order.
- To develop the capacity of local government to ensure the rapid and comprehensive implementation of integrated development programmes (IDP's) and free basic services.
- To stimulate economic growth – both in the traditional and emerging sectors – with appropriate infrastructure development, and to the benefit of all through, amongst others, procurement reform.
- To focus on agriculture and tourism towards rural development so that all inhabitants can live harmoniously and in safety.
- To promote policies which will maintain a healthy balance between protecting the environment and developing the economy.
- To contain and eradicate crime through good intergovernmental co-operation so that the Western Cape can be a safe and secure home, especially for its women and children.
- To nurture our diversity and promote our various cultures, religions and languages to become the source of our strength and unity.

These can be distilled into five pillars:

- The battle against HIV/Aids and other health challenges.
- Real economic growth and job creation
- Excellence in education.
- Safety and security of the people and the environment.
- Fight poverty through quality basic services and social delivery.

iKapa elihlumayo requires that all provincial departments align their spending priorities and programmes equivalently. Therefore, this document will review the alignment of the provincial departments priorities and municipalities IDP priorities with the above ten points and refer to these as the ten points of *iKapa elihlumayo*.

Provincial Department Priorities

Thirteen provincial department strategic plans were analysed and department priority areas identified. Each priority of every department was listed in a matrix format. This matrix allowed an assessment of which priority areas were common across the departments. Although not all priorities were identical a number of themes could be identified and overall priority issues of the departments could be summarised as into the following categories:

- Good governance and processes that lead to efficient service delivery.
- Capacity building and empowerment.
- The provision of infrastructure.
- Fight AIDS and other diseases.

- Promote economic development.
- Promote safe and clean environments.
- Be poor oriented in the delivery of services.

Table A1 in the annexure shows in detail the priority areas included under each of the above headings.

The above categories were seen as priority areas by a significant enough number of departments to list them as priority areas that will be addressed by Western Cape Provincial Departments. Due to the nature of the departments' core business activities, only a few departments addressed some of these issues. However this number was significant enough to identify them as priority issues.

The department of housing identified managing rentals as a priority issue and the department of cultural affairs and sport listed promoting Western Cape culture and promoting sports as priority issues. However these could not be categorised with any of the priority issues mentioned above and as these are the only departments addressing this they cannot be seen as priority issues.

Alignment of Provincial department priority issues with that of the Western Cape provincial government

From the above summary it can be seen that on the whole the following areas of *iKapa elihlumayo* are being attended to:

Establish the western cape government as caring and representative, providing quality, equitable and accessible services to its entire people.

All the departments stated that they will conduct their activities by applying the principles of Batho Pele and a very high percentage of the departments identified cooperative governance as a priority issue. Generally the departments identified as priorities a number of issues that would lead to the achievement of the above point of *iKapa elihlumayo*.

Orientate government towards the poor by ensuring basic services, an indigent policy, a safety net a caring budget.

This was explicitly stated as a priority by more than half of the departments.

To fight HIV/Aids and other diseases in a co-ordinated and comprehensive manner which includes the provision of anti-retroviral drugs, lifestyle intervention and sustained action against poverty.

This was stated as a priority issue by enough departments to be viewed as significant, however only 23% of the departments stated that this is a priority. Considering the potential effects of this pandemic, more departments should be addressing this issue.

To deracialise and integrate all state financed institutions in a responsible manner to maintain stability and good order.

This was implicitly captured in the priorities grouped under “Good governance and processes that lead to efficient service delivery”, however the issue of deracialising departments was not an explicit objective of any department.

To develop the capacity of local government to ensure the rapid and comprehensive implementation of integrated development programmes (IDP’s) and free basic services.

Closely related objectives were explicit objectives of a significant number of departments.

To stimulate economic growth – both in the traditional and emerging sectors – with appropriate infrastructure development, and to the benefit of all through, amongst others, procurement reform.

This was stated explicitly as an objective of a number of departments. In addition there are a number of objectives stated by the departments that will indirectly contribute to stimulating economic growth such as providing infrastructure and ensuring a safe and clean environment.

To focus on agriculture and tourism towards rural development so that all inhabitants can live harmoniously and in safety.

These were seen as priorities by the relevant departments, however more departments could contribute to the promotion of tourism than just the few whose core business focuses on activities related to tourism.

To promote policies which will maintain a healthy balance between protecting the environment and developing the economy.

Ensuring environmental sustainability was seen as a priority by a very small percentage of municipalities.

To contain and eradicate crime through good intergovernmental co-operation so that the Western Cape can be a safe and secure home, especially for its women and children.

Addressing crime and creating an environment conducive to crime prevention is seen as a priority by a number of departments. Cooperative governance is also a priority of a large percentage of the departments.

To nurture our diversity and promote our various cultures, religions and languages to become the source of our strength and unity.

This is seen as a priority by the department of Cultural Affairs and sport, but not addressed by any other departments. This is something that should be addressed as a number of departments could assist in addressing this objective.

In summary the objectives of iKapa elihlumayo appear to be well addressed by the Western Cape provincial departments. However the issues of HIV/AIDS and promoting culture and diversity should be addressed by more departments.

Municipal IDP objectives and priorities

All (Metro, District and Local) of the Western Cape municipalities' objectives were analysed and the priority areas of each municipality identified. The first step of each IDP review was to establish the priority areas as identified by the municipality in the chapter of the IDP where most municipalities identified their vision, mission and strategic goals. However, often this information was not sufficient enough to provide the reader with an indication as to what the municipality intends doing as these were often stated as principles rather than priority areas that would be addressed by the municipality. Therefore, further scrutiny of the IDP's were required, and for most of the IDPs sufficient information of what the actual IDP priority areas were could only be found from analysing the projects identified in the IDP.

A similar process as described for the provincial priorities were followed for the IDPs to identify the priority areas. Due to the diverse descriptions of priorities and nature of municipalities a total of 16 themes were identified as priority areas addressed by the municipalities. A matrix was used and if a municipality's IDP suggested that it would address a priority area this was checked on the matrix. The results of this process are summarised in Table 1 below.

Table 1: Summary of Western Cape IDP priorities

IDP Priorities	Cape Town	West Coast	Boland	Overburg	Eden	Central Karoo	Average
1. Basic Services	100%	85%	65%	67%	92%	75%	81%
2. Law Enforcement, Community Safety and Crime Prevention	100%	100%	70%	60%	100%	40%	78%
3. Tourism	100%	40%	80%	100%	80%	60%	77%
4. Social Development	100%	53%	70%	90%	63%	80%	76%
5. Environmental Management	100%	80%	60%	67%	50%	80%	73%
6. Governance	100%	70%	55%	60%	80%	55%	70%
7. Housing Development	100%	80%	80%	20%	40%	80%	67%
8. Infrastructure	100%	60%	60%	60%	34%	80%	66%
9. Local Economic Development	100%	72%	53%	60%	69%	37%	65%
10. Education	100%	50%	60%		50%		65%
11. Clean and Safe Environment	100%	47%	47%	40%	65%	80%	63%
12. Health Care		80%	40%	60%		60%	60%
13. Land Reform Programmes				20%	100%		60%
14. HIV/AIDS Management and Prevention Programmes	100%		20%	20%	100%	40%	56%
15. Spatial Development			40%	100%	20%	40%	50%
16. Amenities		90%	20%			30%	47%

The “IDP priorities” are the themes identified discussed above, the percentage is a figure that provides an index of the number of municipalities in that district that stated the priority as a priority in their IDPs. An explanation of how this index was calculated is provided in the annexure as well as detailed tables for each of the districts (see tables A2 and A2.1.1 to A2.1.5).

However for the purposes of this discussion the percentage can be interpreted as an indication of the importance that theme is given by the district municipality and the local municipalities in the district, i.e. the higher the percentage the more important. The blacked out blocks indicate that no municipalities in the district identified that theme as an IDP priority.

The table suggests that land reform programmes are given a low priority. This is possibly because this process is not a mandate of local government. However, the following sections describe the positives and the areas of concern that can be identified in the table.

These discussions are followed by a review of how well these IDP priorities are aligned with the Western Cape provincial government priorities and that of the Western Cape provincial departments.

The positive indications

Table 1 suggests the following as the five most important priority areas as identified by Western Cape municipalities:

- The provision of basic services
- Crime prevention and the promotion of law and order
- Tourism promotion
- Social Development
- Environmental management

These are positive findings and provide at least the fundamental foundations for Western Cape provincial governments concept of *iKapa elihlumayo* or “a growing cape”.

The next most important priorities are:

- Good governance
- Housing development
- Infrastructure development
- Local economic development
- Education

The above two lists suggest strongly that the WC municipalities are striving to achieve the objectives of local government as required in section 152 of the constitution and the policy goal of the White Paper for local government that this sphere of government be developmental local government.

The provision of basic services is a mandate of local government and it makes senses that this is an important priority of all municipalities.

Environmental management assists in the promotion of tourism and this priority combined with the prevention of crime, infrastructure development and education if not at least contribute positively to local economic development, provide a sound foundation on which local economic development can prosper.

The provision of infrastructure, housing development, social development and environmental management all contribute positively to creating good living conditions for communities in Western Cape municipalities. It is also reassuring to see that priorities that could be grouped under “Governance” are seen as important areas. Included in this category is the development of capacity within municipalities and the involvement of communities in municipal decision making processes, as required by section 152 (1) (e) of the constitution.

The above paragraph correctly promotes Western Cape municipalities as institutions that promote democracy and provide communities with opportunities and good living conditions. However, there are some areas of concern.

Areas of concern

Health care and related services does not feature in the top ten priorities of Western Cape municipalities. This is worrying, as a community cannot prosper if it is not healthy. (The figures show that Cape Town does not identify Primary Health Care (PHC) as a priority, which is alarming and hardly believable, however the issue of PHC could be captured under the Unicity's priorities included under social development). But added to the fact that health care is given a *relatively* low importance the containment of the HIV/AIDS pandemic is also given a *relatively* low importance. This is surprising as the Western Cape provincial government (under past and present political leadership) has been a leading light in the fight against AIDS. Even though this may be a mandate of provincial and national government it is still a matter of concern that addressing the AIDS pandemic is explicitly stated as higher order priority by more municipalities.

Also low down on the list of priorities is spatial development. Spatial development is vital if municipalities want to contribute to sustained and coordinated regional development. Although it should not be seen as the highest of priorities, it appears that few municipalities are focusing on spatial development and this matter should be addressed.

The provision of public amenities scored lowest on the list of priorities. Included in this heading are facilities such as sports complexes and community halls. However, municipalities may not have explicitly stated they would provide these services as a priority as this could have been part of their objectives to provide infrastructure. Despite this attention should be drawn to the fact that the municipalities within the Eden District scored poorly on both the provision of infrastructure and the amenities. However, if these facilities are well provided already, it may be understandable why they are not listed as priority areas.

Presentation of IDPs in the Western Cape

This study required the analysis of all the IDPs of municipalities in the Western Cape. Generally most IDPs are very informative documents that provide the reader with a very good overall analysis of the municipalities in terms of social and economic dimensions. The IDPs also appear generally to be strategic documents that identify true priority areas. Recent studies on IDPs have suggested that IDPs are wish lists, this does not appear to be a problem in the Western Cape. On the whole, Western Cape municipalities are using IDPs in the correct manner. However the following problems were evident:

- A large number of municipalities use consultants in the compilation of their IDPs. This raises questions as to how authentic the document is and how well community needs are represented in the IDP. In two different districts more than one local municipality had used the same consultant to prepare their IDP and this consultant had used the same template for each of these IDPs. Therefore each IDP had identical strategic priorities and neither of these IDPs can be seen as authentic by any means.
- IDPs do not appear to be prepared according to a prescribed format. The IDP should be the strategic plan of the document and there should be a generalised standard format that allows readers to know where they can access information on

priority areas that will be addressed by the municipality. A more rigid format allows the reader to access desired information more efficiently.

- Adding to the point above, it was often very unclear in the IDPs if an issue described as a priority was a priority area of importance or a priority area that would be addressed. Many municipalities did not correctly identify mission statements related to their visions. Due to presentation of the IDPs it was often unclear if a priority, strategic objective or part of the mission was being identified. The point made in the previous bullet may be a result of this and this may be due to a lack of strategic management/planning capacity in municipalities.
- Often municipalities identified strategic objectives that were very abstract in nature that do not provide the reader with any idea as to what the municipality will actually be doing.
- IDPs do not appear to be prepared as part of a timetable that is aligned with the budget process or performance management system timetable.
- Although the IDPs did provide a lot of useful information, the vast majority of the IDPs were long and bulky documents that could be shortened substantially without losing any of their value as strategic documents.

The alignment of Western Cape Municipal IDP priorities with the Western Cape Provincial Governments “*iKapa elihlumayo*”

The previous section described the positive and worrying points of the priority areas addressed in the Western Cape municipalities IDPs. However, if sustained regional development is to be achieved it is vital that municipalities within a province strive to achieve the same objectives of the province. Therefore a review of how this has been achieved is provided in this section.

[The detailed ten point framework that provides the basis of *iKapa elihlumayo* are listed in Section 2, but for ease of reading, the following section refers to the priority as a number, this number is the number the priority is listed as in section 2.]

Of the ten points only the elimination of racism (No. 4) and the nurturing of diversity (No. 10) appear not to be priorities of municipalities. HIV/AIDS does not appear as a top ten priority of municipalities and this could be mentioned as another part of where there is misalignment between municipal priorities and the priorities of the Western Cape. The previous section discussed the need for more municipalities to identify tackling the HIV/AIDS issues as a priority. The reason why addressing HIV/AIDS is not explicitly stated in all municipalities' IDPs must be established and this problem attended to.

The elimination of racism does not appear to be an explicit priority of municipalities, however municipalities consider the development of good governance as a priority issue and perhaps the elimination of racism may be addressed through this priority.

The nurturing of diversity and culture is not explicitly stated as a priority, but this may be captured in municipalities' attempts of promoting tourism.

However of the other seven points of *iKapa elihlumayo* all of them are seen as, on average, as priority areas by the municipalities in this study, either directly captured by

one of the themes in Table 1 or indirectly by a combination of a few themes. Therefore, generally speaking, municipal objectives are aligned with the provinces objectives.

The alignment of Western Cape Municipal IDP priorities with the Western Cape Provincial Departments Strategic Objectives

The strategic priority areas of the Western Cape provincial departments can be summarised as:

- Good governance and processes that lead to efficient service delivery.
- Capacity building and empowerment.
- The provision of infrastructure.
- Fight AIDS and other diseases.
- Promote economic development.
- Promote safe and clean environments.
- Be poor oriented in the delivery of services.

From discussions in the previous sections it is clear that the only strategic theme that is not being addressed by municipalities is the fight against AIDS. However, on average municipal objectives are aligned with departmental objectives.

Comparison of Provincial Expenditures with Municipal Expenditures

The Western Cape Treasury provided expenditures per provincial department, broken down per district. Due to the classifications of expenditures used by municipalities it is not possible to compare budgets of the departments with municipal budgets. Therefore a comparison of the overall expenditures of the province provide for the best benchmark on which a comparison can be made.

A summary of provincial expenditure shows that Education, Health and Social Services and Poverty Alleviation share the biggest proportion of the provinces expenditure. The next biggest area of expenditure is on Transport and Public Works. Housing is the only other department with a significant share of the budget.

Education was certainly not a spending priority of municipalities. Activities related to Education, that may achieve the same outcomes as education expenditure were prioritised in the IDPs, but very little expenditure was allocated to these.

Health did feature as a noticeable area of expenditure in most of the municipalities IDPs and this corresponds with spending priorities of the province.

Social services and poverty alleviation featured as a priority area in most municipalities, however, did not feature prominently in the budgets, at least not explicitly. However, all municipalities allocated a very significant proportion of their budgets to the provision of basic services, infrastructure and public facilities. Poverty alleviation can be achieved by hiring historically disadvantaged individuals to implement related projects and if municipalities intended on doing this there was no way this sort of activity could be tracked by reviewing the municipalities' budgets. Also the provision of public facilities, or amenities (parks, playgrounds, sports complexes etc), contribute to the social

development of communities and most municipalities allocated provisions for this purpose and often these were substantial proportions of municipal budgets. It is not possible to identify exactly what proportion of expenditure on public facilities meant to achieve social development, but it can be assumed that this issue is being addressed by the budgets.

Expenditure in municipalities that is similar to expenditure normally carried out by the department of Transport and Public works featured prominently in the budgets of municipalities in the Western Cape.

Housing did feature prominently as an expenditure item in the municipalities budgets. As commented elsewhere, this expenditure was mostly limited to the capital budget. Therefore it appears that municipalities are not looking at the longer-term implications of this capital expenditure and are not making operating and maintenance provisions to sustain these services. Recent research has found that municipalities generally make provisions in their capital budgets for services without assessing the long-term implications this expenditure will have on the operating budgets. Although it is difficult to assess trends by analysing budgets once off it appears that the municipalities in the Western Cape are guilty of not making suitable provisions in their operating budgets.

The departments of Community Safety, Agriculture and Cultural Affairs and Sport expenditures each equal about one percentage of the total Western Cape budget, other departments not mentioned above share an even smaller percentage of the Western Cape budget. Expenditures that contribute to community safety, or a safe environment appear as a spending priority in almost all the municipalities. Many of the municipalities, especially municipalities in less affluent areas, made provisions for sports facilities, however not many made contributions to what would form part of expenditure on cultural affairs. Lastly agriculture did feature as an area of expenditure in municipal budgets, although this was not significant.

In summary, it is difficult to truly assess if municipal expenditures match those of the province. From one perspective it can be assumed that municipalities are spending on Social Services and Poverty Alleviation in the same proportion as the province is. However, it is equally easy to assume that this is not the case and that administration overheads and infrastructure expenditure are crowding out the municipal budgets. All other priority areas of provincial expenditure *appear* to be matched at the municipal level. National research has found that personnel costs are crowding out other forms of expenditure in municipal budgets and a rational assessment of the Western Cape municipal budgets suggests that this province is also subject to this predicament.

Alignment of Municipal IDPs with Budgets

Tables A2.1.1 – A2.1.5 (see Annexure 2) provide a detailed breakdown of the percentages of budgets municipalities have allocated to the IDP priorities identified in Table 1. A detailed discussion of how these percentages are derived is provided in A2. However the following section discusses, by district municipality, how well aligned the budgets and IDPs appeared to be. ***This section is concluded with a discussion that summarises the overall findings of the investigations into the alignment between municipal IDPs and Budgets.***

West Coast District

Table 1 shows that Basic Services and Governance were given high priorities in municipal IDPs and substantial allocations were generally made in the both the operating and capital budgets for these purposes in the West Coast District. The development of infrastructure was given a high priority in the West Coast District IDPs and substantial allocations were made for this purpose in both the capital and operating budgets. Most municipalities in this district gave the provision of a Safe and Clean environment a high priority and this was reflected in both budgets, but generally more strongly in the operating budget. However, this can be viewed positively as creating such an environment requires ongoing operating services. Generally Amenities or public facilities were seen as a priority in this district and consequently significant budget allocations were made for these purposes.

In terms of Health Care, two of the six municipalities did not identify this as a priority in the IDP, however only one did not make budgetary provisions for this purpose. However the allocations made for this purpose were small percentages of the budget and generally very small percentages of the capital budgets.

Housing was seen as a priority by most of the municipalities, and only one municipality that stated housing as a priority did not make any budget allocations in this regard. However, the allocations made were generally only made in the capital budgets with very small allocations made in the operating budget. For an activity like housing development, operating and maintenance type expenditure is likely to be large, especially as the community members receiving the benefit of this expenditure are likely to require financial assistance.

Half of the municipalities stated Tourism as a priority and only the district municipality did not make allocations for tourism. Generally these allocations were small allocations, but this is a difficult area of expenditure to assess as other factors such as providing a clean environment and the promotion of tourism may have been captured in expenditures that appear administrative in nature and may have been included in Governance related expenditure.

All municipalities in this district viewed Local Economic Development as priority areas, but only half of the municipalities appeared to make budgetary provisions for this purpose. Furthermore, these budgetary allocations were very small allocations.

Also of concern is that Environmental Management, Social Development and Education were generally viewed as priority areas in the district, but only the district municipality made allocations for any of these criteria, and that was only for two of these four criteria.

Boland District

Basic Services, Governance, Clean and Safe Environment, Housing, Environmental Management and Infrastructure are IDP priority areas in this district that are well recognised in municipal budgets. However, generally speaking, attention should be given to the small allocations made in operating budgets for Housing, when compared to Housing allocations in the capital budgets and the small allocations made in the capital budgets for Health Care.

In this district the provision of Amenities or Public Facilities were not identified as priorities in the IDPs but provisions were made in the budgets.

Social Development and Tourism were generally stated as priorities but budget allocations were only made in a few municipalities, and these were not significant allocations. However the same comments as applied for the West Coast district with regards to tourism can be applied here.

Local Economic Development was viewed as a priority by all municipalities, but only three of the five municipalities made allocations for this purpose. Local Economic Development and Social Development expenditure are often very similar kinds of expenditure, or at least can complement each other. However this district does not appear to have made any significant budget allocations in this regard, even though they are viewed as IDP priorities. Education complements these expenditures, but no budget allocations are made for Education in any of the municipalities even though it is seen as a priority by three of the four local municipalities.

Spatial development is seen as a priority by three of the municipalities, but the one municipality that has made budget provisions for this purpose did not identify it as an IDP priority.

Overberg District

Basic Services, Tourism, Infrastructure and Governance were stated IDP priorities in most of the municipalities in the Overberg and significant budget allocations were made for these purposes in most of the municipalities' budgets. Generally budget allocations were made for a Safe and Clean environment and Health Care, and these were stated as IDP priorities by most of the municipalities in the district.

Local Economic Development was viewed as a priority by three of the municipalities and budget allocations for this purpose were made in three municipalities.

However in this district there was a mismatch between the IDPs and Budgets in terms of Environmental Management, Social Development and Spatial Development. All the municipalities stated these as priority criteria, however only the district municipality made budget allocations, and for only one of these criteria. Another mismatch is evident in

terms of Housing, where the only municipality to identify this as a priority did not make any budget allocations for this purposes, but one of the other municipalities, that did not identify it as a priority made substantial allocations in the capital budget.

Eden District

Basic Services, Tourism, Infrastructure, Safe and Clean Environment and Governance are all identified as IDP priorities for which substantial budget allocations are provided.

Housing is seen as a priority by two of the municipalities in this district and of these two only one has made budget allocations for this purpose. However, four of the other municipalities that have not identified this as a priority in the IDP have made significant budget allocations for this purpose.

Of concern is that Environmental Management, Local Economic Development, Social Development, Education, Land Reform and HIV/Aids management are identified as priorities in the IDPs of these municipalities, however very small budget allocations have been made for any of these purposes.

Health Care and related services are not identified by any of the municipalities as an IDP priority, but most of the municipalities have made provisions in their budgets for this purpose and HIV/Aids management may be captured in these programmes.

However Local Economic Development and Social Development expenditures are often similar kinds of expenditure and Education expenditure can lead to the same outcomes, but the municipalities in this district have not made significant budget allocations for Education, despite stating all of these as priorities.

Central Karoo District

Basic Services, Infrastructure, Safe and Clean Environment, Health Care, Governance and Housing are all stated IDP priorities and in this district the municipalities have generally made budget allocations for these purposes.

Tourism was identified as a priority in two of the three municipalities and budgeted for by one of these, with the third municipality, which had not identified Tourism as an IDP priority, budgeting for tourism.

Environmental Management and Social Development were identified as priorities by all the municipalities, but not budgeted for.

Cape Town Unicity

Due to the manner in which the Unicity's budget expenditures were classified, it was difficult to assess the budget expenditures according to IDP priorities in as detailed a style as for the districts. However, it would appear that the Unicity is spending in the priority areas identified in the budget and in areas not identified in the IDP as priority areas. Section 5 mentioned that the Unicity does not identify health as a priority area of expenditure. However it is evident that the Unicity is spending in this area in the capital

budget and it can be assumed that funds are also being made available in the operating budget under expenditures classified under community services.

Summary Discussion – Alignment of Budgets and IDPs

The above discussion showed that when reviewing the alignment of budgets and IDPs from the district level three themes emerge:

- Firstly, there are provisions made in the budget for items that are not identified as priorities in the IDP.
- Secondly, there are a number of priorities that appear to be given a high priority in the IDP and substantial budget provisions are set aside to address these issues. In other words, these are priorities for which there is strong alignment between the budget and IDP.
- Thirdly, there are a number of priority issues identified in the IDP for which no or little provisions are made in the budgets.

Expenditures identified in the budget that match the first criteria above are understandable, as municipalities need to incur expenditure in areas of importance, but not stated as priority areas in the IDP as other items are given priority discussion in the IDP. Health Care and the provisions of Amenities (public facilities) are two areas of expenditure that could be grouped in this category.

In terms of the second category above the expenditures that matched this category for all the districts included Basic Services, Governance, Safe and Clean environment and Infrastructure. Due to the nature of the data this could be expected for Governance as any activities relating to administration were grouped in this category. *However, this does not necessarily imply that municipalities are spending on improving governance.*

Basic Services and Infrastructure were high on the list of priorities and it is clear that municipalities are addressing these issues.

Items of expenditure grouped under “Safe and Clean Environment” differed only marginally from items classified under Law Enforcement, Community Safety and Crime Prevention. Two separate categories were given for these as the first included expenditures that created an environment (such as street lights and traffic control), whereas the latter included items that addressed actual crime. However, as expenditure items in the budgets were often aggregated the expenditures targeting crime may have been grouped with Safe and Clean environment and this could explain why few municipalities made allocations for Law Enforcement, Community Safety and Crime Prevention in the budgets.

Tourism was identified as a priority in Table 1 and was identified as an area of expenditure by most of the province’s municipalities, but certainly not all.

The third category above includes priorities identified in the IDP, but no budget allocations made. Social Development and Environmental Management can be grouped in this category, which is surprising as these scored highly on the overall rating. This

suggests that municipalities are identifying priorities, but not making sufficient budget allocations in this regard.

The above discussions attempt to assess whether Western Cape municipalities have aligned their Budgets with IDPs priorities. Due to data constraints this is a difficult assessment to make, however the above discussions suggest that these documents are poorly aligned. Conversely, if the figures produced are to be viewed as optimistically as possible, they suggest that of the top ten priorities identified in municipal IDPs three of the top five (Basic Services, Crime Prevention and Tourism) and two more of the top ten (Governance, Infrastructure) are addressed in the budgets. Budget allocations made for Housing (also a top ten priority) show little correlation to whether it is stated as an IDP priority and vary substantially when comparing districts, but generally municipalities make budget allocations for Housing.

Generally few budget allocations are made for the other four top ten priorities (Education, Social Development, Environmental Management and Local Economic development). However, explanations may be provided for this:

- Other spheres of government should provide for budget allocations for Education and municipalities may not be showing expenditure relating to transfer payments in their budgets.
- Expenditures on providing basic services, infrastructure and public facilities can lead to Social and Local Economic Development. Budgets may not have identified expenditure on infrastructure expansion that formed part of Local Economic Development initiatives.
- Most environment programmes are administered by National or Provincial departments and core activities relating to programmes in this regard are captured in budgets of National or Provincial departments.

However, it is equally easy to adopt a negative outlook. Tables A2.1.1 to A2.1.5 attempt to assess the Budget IDP alignment objectively by applying a quantitative approach and these tables would suggest that municipal budgets and IDPs are poorly aligned. Further, pessimistic, analysis suggests the following:

- The IDP priorities for which expenditures are allocated in municipal budgets (Basic Services, Infrastructure, Creating a safe environment, Governance, Tourism and to a lesser extent Housing) are expenditures that municipalities have traditionally made.
- Housing expenditure is mostly capital expenditure with small allocations being made in the operating budget and this suggests that municipalities are not making provisions for the sustained maintenance of these services.
- New areas of expenditure required by the White Paper on Local Government as “Developmental Local” government are identified as priorities in the IDPs, but few municipalities appear to be making budget allocations in this regard.

Review of Western Cape Municipal Budgets

Areas of expenditure

The terms of reference for this project required a comparison of municipal expenditures with the provincial department transfers to the municipalities. A number of municipal budgets were not available and therefore the district totals could not be compared to the totals as provided by the provincial departments. Secondly the budgets of the municipalities were not presented in the format or detail that would allow for a comparison as municipal budgets expenditures are classified differently to the provincial classifications.

However, the tables in Annexure 3 detail the budget totals by district (including the districts) and the following conclusions can be drawn from an analysis of these:

- In all the districts the bulk of the operating expenditures were allocated to administrative purposes, basic services and infrastructure development. Generally the bulk of the capital budgets were spent on basic services and infrastructure.
- After administration, basic services and infrastructure the next biggest areas of operating expenditure appears to be on Public Facilities and items relating to the provision of a Safe and Clean environment. This appears to be similar for capital expenditures.
- Municipalities generally spent noticeable amounts on health services in their operating budgets. However this was not the case in the capital budgets.
- Tourism features as an item of expenditure in all the districts.
- Municipalities generally did not allocate significant funds to Housing in the operating budgets even though most municipalities appear to make significant allocations in their capital budgets.

The above points illustrate that generally speaking Administration, Basic Services, Infrastructure expenditure, the creation of “Safe and Clean Environments” crowded out the budgets. Some of the items included under “Safe and Clean Environment” were often infrastructure in nature, such as streetlights, and expenditure items captured here included money spent on enforcing the rule of law. However, the type of expenditure mentioned above ensures the creation a safe and healthy living environment for community members. This is the ideal basis for social and economic development.

However the following matters of concern can be raised:

- IDPs called for a concerted effort to promote social and economic development and these areas of expenditure appear to be marginalized in the budgets.
- Housing features strongly in the capital budgets, but not operating budgets and this raises questions as to how sustainable this capital expenditure is.
- Although provisions are made for health services in the operating budgets, very small allocations are made for capital expenditure on health. This suggests that health services are not being expanded. Even though health services related expenditure may have included expenditure on HIV/AIDS management, no explicit budgetary allocations are made for this purpose.

Data Concerns

Generally, the budgets were well presented and easy to read, however due to varied classifications of expenditure, extracting relevant information from the budgets was a hugely time consuming process.

Most municipalities, but not all, captured their budget expenditures in standardised format, which was very useful when assessing where capital expenditure is being allocated, however these formats were not useful for assessing operating expenditures. In many instances these templates were not correctly filled in with many municipalities allocating substantial proportions of both their incomes and expenditures to “Other”. There were instances where municipalities’ total budget allocations differed from the budget allocations identified in the template budgets mentioned above. Furthermore, there were instances where budget allocations according to their summary budgets differed from budgeted figures that were extracted from the detailed budgets.

The biggest difficulty encountered when analysing the budgets was the varied format in which budgets were presented. Items of expenditure were classified differently and often in acronym form which created difficulties in identifying budget items. Most municipal budgets were presented in both a summary form and a detailed form. Often the format in which the summary budget was presented was not sufficiently comprehensive to base analyses of municipal expenditures but the detailed format was so detailed that extracting useful information was extremely time consuming.

Summary and Recommendations

In Summary the following points can be made:

- Most Western Cape Provincial Departments have aligned their priorities with those of the Western Cape Provincial Department, however managing HIV/AIDS, the preservation of culture and diversity and addressing racism were priorities of the provincial government that were not priorities of the departments.
- Most municipalities have aligned their IDP priorities with the priorities of the Western Cape Provincial Government and the Western Cape Provincial departments. However, addressing racism and preserving culture and diversity are not explicit priorities of many Western Cape municipalities and more municipalities should identify the HIV/AIDS pandemic as a priority issue.
- The provision of Basic Services, Infrastructure Development, the Creation of Safe Environments, Tourism and Governance are identified as priorities by the municipalities and expenditures were allocated for these purposes in the municipal budgets. However, for the other five priority areas, of what appeared to be the average top ten municipal priorities, no significant budget allocations were made.
- Municipalities classify expenditures and present their budgets in formats that do not allow for a comparison between provincial expenditures and municipal expenditures. These classifications and formats create difficulties when trying to compare municipal expenditures with priorities identified in their budgets.
- Western Cape municipalities have submitted IDPs that appear strategic in nature, however many use consultants to prepare the IDPs which raises questions as to how truly credible the documents are.

Recommendations

To improve the presentation and use of IDPs, municipalities should:

- Present IDPs in a basic yet functional standardised format that:
 - Makes clear the strategic direction the municipality will adopt, i.e. what areas of expenditure the municipality prioritised as important in that IDP cycle.
 - Ensures the IDPs are kept at reasonable lengths and that resources are not wasted in preparing bulky documents that lose functionality due to information overloads.
- Only be permitted to use consultants for specific technical expertise and not for general IDP preparation.

To facilitate the analysis of budgets, municipalities should:

- Be required to submit budgets in a standardised format based on IDP priorities. Stricter controls or incentives than exist at present should be introduced to achieve this.
- Be prohibited from classifying expenditures as “other” in either of their capital or operating budgets.
- Be required to identify how transfer payments are allocated.

To improve the alignment of budgetary expenditures and IDP priorities

This document has shown that the priorities identified in the IDPs of Western Cape municipalities, apart from a few exceptions, are well aligned with the priorities of the Western Cape provincial government. However it is evident that these municipalities are yet to shift their expenditures to these priorities. Breakdowns of municipal budgets illustrate a minor alignment between IDP priorities and expenditures. However, these expenditures are traditional municipal expenditures and the role of municipalities as “developmental local” government is yet to affect spending priorities.

Most municipalities are still presenting budgets according to line items or old budget classifications. Often these classifications are sufficient to allow for an analysis of expenditures according to IDP priorities, however at the majority of municipalities this is not the case. To achieve true alignment of IDP priorities and budgeted expenditures requires structural and organisational changes at most municipalities that achieves a complete integration of the processes involved in drawing up budgets and IDPs. However, it is difficult to assess these processes from the information available and this discussion will only focus on formats of budget and IDP documents that Western Cape provincial departments can promote to facilitate the above-mentioned alignment.

Firstly the IDP must be viewed as the overall strategic planning document of the municipality that guides budgeting decisions. The Systems Act requires this and if IDP priorities are ever to be truly reflected in budgeted expenditure the budgets must be based on the IDPs. Studies conducted in South Africa have found that budget processes have been followed as were done before IDPs were required and then once the budget process was completed, any unallocated amounts were made available for IDP issues.

To change this, municipalities should be required to prepare their budgets according to IDP priorities. One of the budgets reviewed provided a very clear indication of what IDP priority an area of expenditure was addressing. This is very useful and suggests the budget is being prepared according to the IDP. But, the budget was presented in its standard form and *then* expenditures were linked to IDP priorities. Budget expenditures must be based on IDP priorities, not linked to priorities. The order of processes is incorrect.

What should be of concern is that the example cited above is an example of a municipality with the best process in the province, but this municipality was still not achieving alignment that can be commended.

Municipalities, when preparing budgets, require a change of mindset. Possibly the most constructive way of achieving this is by requiring municipalities to present their budgets based on IDP priorities. However, these priorities differ from municipality to municipality and this requirement alone is not likely to result in a standardised format.

Western Cape Provincial Government could identify a set of priorities that municipalities must address (for example the provision of basic services, expansion of infrastructure, governance, law enforcement and tourism). In addition to the compulsory set of priorities the municipalities could be given a long set of priority issues from which they could choose to address any combination of. Table 1 shows sixteen possible different priority areas, however this list could still be expanded further to make sure it reasonably accommodates any issue a municipality is likely to want to address. A large number of themes like this allow sufficient flexibility for municipalities to maintain their autonomy and still cater for all their needs.

The provincial government could provide a list of these priorities along with a list of all the categories of activities, projects and programmes that a municipality could use to address that priority. This would be in effect be an “IDP chart of accounts”.

The IDP process would identify which priorities the municipality will address and every municipality would need to express their priorities according to the list of priorities classified by the provincial government.

When preparing their budgets, municipalities would have to classify their expenditure according to the “IDP chart of accounts”.

Academically the closest definition of this style of budgeting is programme budgeting, but the advantage of this style is that it allows for a quick analysis of the level of expenditures allocated to the achievement of specific outcomes. It also requires a shift in the manner in which budgets are presented.

If this is achieved the, it will force an awareness of the IDP on the financial planning process and budget preparation processes will depend on the IDP process. It follows that municipal expenditures are more likely to be allocated according to IDP priorities. The budget, which will be based on IDP priorities, will then be voted on according to these expenditures and hopefully resulting in a shift of spending priorities to match the IDP priorities.

References

Republic of South Africa (2000) Local Government: Municipal Systems Act (Act 32 of 2000).

Western Cape Government: Provincial Budget, 2003.

Strategic plans of the following provincial departments were reviewed:

- Health
- Housing
- Community Safety
- Parliament
- Education
- Treasury
- Social services and poverty alleviation
- Environmental affairs and planning
- Transport and public works
- Agriculture
- Local government
- Economic affairs and tourism
- Cultural affairs and sport

2002/2003 Integrated Development Plans of the following municipalities were reviewed:

West Coast District Municipality (DC1)
Matzikamana Municipality (WC011)
Cederburg Municipality (WC012)
Bergrivier Municipality (WC013)
Saldanha Municipality (WC014)
Swartland Municipality (WC015)
Boland District Municipality (DC2)
Witzenburg Municipality (WC022)
Stellenbosch Municipality (WC024)
Breede Valley Municipality (WC025)
Breede River and Winelands Municipality (WC026)
Overberg District Municipality (DC3)
Theewaterskloof Municipality (WC031)
Overstrand Municipality (WC032)
Cape Agulhus Municipality (WC033)
Swellendam Municipality (WC034)
Eden District Municipality (DC4)
Kannaland Municipality (WC041)
Langeberg Municipality (WC042)
Mossel Bay Municipality (WC043)
George Municipality (WC044)
Oudtshoorn Municipality (WC045)

Bitou Municipality(WC046)
Knysna Municipality(WC047)
Central Karoo Municipality
Laingsburg (WC051)
Prince Albert (WC052)
Beaufort West Municipality (WC053)
City of Cape Town

Note: Drakenstein municipality's IDP could not be viewed and the Boland District Municipality's IDP was used to gather the relevant information for this municipality.

The 2003/2004 budgets of these municipalities were reviewed with the exception of Oudsthoorn, Prins Albert and Drakenstein Municipalities.

Table A1: Grouping of Provincial Department Priorities

<i>Good governance and processes that lead to efficient service delivery</i>
Improving service delivery and ensuring the principles of Batho Pele are satisfied
Co-operative governance
Policy and legislation development
Efficiently and effectively manage restructuring
Provide information services to other departments to assist the department achieve mandate
Ensure sound financial management of provincial resources
Involve communities in achieving department goals
<i>Capacity Building and empowerment</i>
Build capacity of municipalities and communities
Capacitate relevant external stakeholders
<i>Providing Infrastructure</i>
Integrated infrastructure planning
Ensure safer roads
<i>Fighting AIDs and other diseases</i>
<i>Promote Economic Development</i>
Create an environment conducive to sustainable economic development
Pro-actively seek and promote new economic opportunities for commercial and non-commercial producers
<i>Safe and clean environment</i>
Allow for civilian oversight
Involve communities in crime prevention
Develop disaster management system
<i>Be poor oriented in the delivery of services</i>
<i>Others</i>
Manage rentals
Promote western cape culture
Promote sports as a means for community reconstruction

Explanation of Weighting IDP priorities and priorities per municipality

The following section describes how the weightings given to the IDP priorities identified in Table 1 were calculated.

Firstly, every IDP was analysed and where possible the strategic objectives of the IDP were listed. However this process was often very unfruitful as the strategic objectives were poorly stated and provided no indication of what the municipality intended to actually do. In other words it was not clear what type of outputs the municipality was trying to produce. Therefore the projects listed in the IDPs were reviewed and noted.

The following simple process was followed:

The first municipality's IDP in the district to be analysed was listed on the X-axis. All types of projects, priorities and strategic objectives were recorded on a list going down the Y-axis.

The second municipality in that district was listed on the X-axis and then all types of projects, programmes and strategic objectives were noted on the Y-axis. If the second municipality was addressing an issue the first municipality was addressing this would be ticked against the list already created, however if the second municipality was addressing an issue not addressed by the first municipality then this issue would be added to the list on the Y-axis.

This process was continued until a matrix of all the issues identified in the IDPs within a district were identified. This process was followed for all the districts.

Once this process was completed a number of themes could be identified and these are listed as "IDP Priorities" in Table 1. All issues identified that either contributed to the achievement of a theme or were similar to the theme were grouped with that theme. These themes and examples of what is included in the theme are presented in Table A2.1.

The number of issues or items addressed under each theme varied considerably from municipality to municipality. For example under Basic Services, one municipality may have identified three services in their IDP, whereas another municipality may have identified all four services as priority. Therefore the number of issues belonging to a theme in one district were totalled and the number of themes addressed by each municipality were compared to the total number of themes addressed in that municipality's district. This was presented as a percentage.

These percentages were averaged for each district. The highest percentage of issues addressed within a theme by any individual municipality was identified and the average was divided by the highest percentage within that district to provide the weightings used in Table 1. Tables A2.1.1 – A2.1.6 show these percentages for each municipality, the

number of issues addressed per theme and the percentage of capital and operating expenditure allocated for these purposes.

All municipalities in each district have been included in the table for that district. The first column shows the IDP priority. These are the same as listed in Table 1. The second column title “No.” shows the number of different items that were identified as part of that theme by the municipalities in that district. The next column title “IDP” shows a number on top and percentage below. The number is the number of issues in the theme addressed by that municipality and the percentage is this number represented as a percentage of the total number of items identified in that theme. The next column title “Opex” shows the percentage of the operating expenditure in the budget allocated to that theme, the “Capex” column shows this percentage for capital expenditure. The end columns of these tables are title “Ave” and “max”. The “ave” column is an average of the percentages shown in the “IDP” column and the “max” is the highest percentage any municipality achieves.

Any information shown in these tables is taken from the list of IDPs and Budgets provided in the references.

Table A2: IDP priority groupings

Local Economic Development
Economic development
Promote industrial development
Use environment to promote economic development
Small farmer promotion
SMME development
Job and permanent job creation
Basic Services
Refuse Services
Electricity
Water supply
Sanitation
Solid waste dumping site
Tourism
Promote tourism
Identify conservation areas
Develop tourism facilities
Infrastructure
Infrastructure development
Roads
Stormwater
Provide parking

Law Enforcement, Community Safety and Crime Prevention
Anti crime programs
Promotion of law and order through community based processes
Environmental Management
Environmental preservation
Promote environmental awareness
Social Development
Social development
Poverty alleviation
Community empowerment
Education
Empowerment programmes
Schools programmes
Clean and Safe Environment
Fire control
Street lighting
Primary Health Care
Community Health
HIV/AIDS Management and Prevention Programmes
Promote aids awareness
Governance
Development of municipal management capacity
Improve municipal governance
Promote legislative priorities
Establishing community participation and cooperation
Financial sustainability of municipalities in the district
Housing Development
Develop housing
Spatial Development
Spatial development
Land Reform Programmes
Amenities
Building sports facilities
Upgrade parks

Table A2.1.1 (a): West Coast District Comparison of IDP priorities and Budget Expenditures

IDP Priorities	No.	West Coast DM			Cederburg			Swartland		
		IDP	Opex	Capex	IDP	Opex	Capex	IDP	Opex	Capex
Local Economic Development	7	2 29%			4 57%			2 29%		1%
Basic Services	4	3 75%	25%		3 75%	54%	17%	4 100%	43%	28%
Tourism	1	1 100%			0 0%	5%		1 100%	1%	1%
Infrastructure	6	4 67%	39%	93%	2 33%	7%	34%	1 17%		22%
Law Enforcement	1	1 100%			1 100%			1 100%		
Environmental Management	2	2 100%	1%		1 50%			2 100%		
Social Development	4	2 50%			0 0%			2 50%		
Education	3	1 33%	1%		2 67%			1 33%		
Clean and Safe Environment	3	1 33%	1%	4%	0 0%	3%		1 33%	14%	2%
Health Care	1	0 0%	13%		1 100%	4%		0 0%	4%	1%
HIV/AIDS Management	1	0 0%			0 0%			0 0%		
Governance	3	1 33%	12%		1 33%	22%	22%	1 33%	32%	1%
Housing Development	1	0 0%	1%		1 100%			1 100%	1%	25%
Spatial Development	1	0 0%	2%		0 0%			0 0%		
Land Reform Programmes	1	0 0%			0 0%			0 0%		
Amenities	2	1 50%	1%	3%	2 100%	5%	14%	2 100%	4%	21%
Balance			4%	0%		0%	13%		1%	-2%

Table A2.1.1 (b): West Coast District Comparison of IDP priorities and Budget Expenditures

IDP Priorities	No.	Saldanha			Bergriver			Matsikama			Ave	Max
		IDP	Opex	Capex	IDP	Opex	Capex	IDP	Opex	Capex		
Local Economic Development	7	4 57%	1 1%		3 43%	1 1%		5 71%			51%	71%
Basic Services	4	4 100%	56%	17%	3 75%	52%	27%	3 75%	53%	16%	85%	100%
Tourism	1	0 0%	1 1%	1 1%	0 0%	1 1%	14%	1 100%	2 2%		40%	100%
Infrastructure	6	4 67%	11%	43%	4 67%			1 17%		39%	40%	67%
Law Enforcement	1	1 100%			1 100%			1 100%			100%	100%
Environmental Management	2	1 50%			2 100%			2 100%			80%	100%
Social Development	4	2 50%			1 25%			3 75%			40%	75%
Education	3	0 0%			1 33%			1 33%			33%	67%
Clean and Safe Environment	3	3 100%	5%	1%	1 33%	17%	5%	2 67%	15%	9%	47%	100%
Health Care	1	1 100%	4%	1%	1 100%			1 100%	3%	1%	80%	100%
HIV/AIDS Management	1	0 0%			0 0%			0 0%			0%	0%
Governance	3	2 67%	18%	1%	2 67%	16%	14%	1 33%	23%	18%	47%	67%
Housing Development	1	0 0%	1 1%	35%	1 100%	1 1%	22%	1 100%	1 1%	10%	80%	100%
Spatial Development	1	0 0%			0 0%			0 0%			0%	0%
Land Reform Programmes	1	0 0%			0 0%			0 0%			0%	0%
Amenities	2	2 100%	4%	4%	1 50%	10%	18%	2 100%	5%	7%	90%	100%
Balance			-1%	-3%		2%	0%		-2%	0%		

Table A2.1.2 (a): Boland District Comparison of IDP priorities and Budget Expenditures

IDP Priorities	No.	Boland DM			Witzenburg			Stellenbosch		
		IDP	Opex	Capex	IDP	Opex	Capex	IDP	Opex	Capex
Local Economic Development	4	1 25%	3%	3%	1 25%			1 25%		
Basic Services	4	3 75%	20%		3 75%	67%	77%	4 100%	52%	20%
Tourism	1	0 0%			1 100%	5%		1 100%		
Infrastructure	2	2 100%	29%	24%	1 50%	6%	22%	1 50%	8%	10%
Law Enforcement	2	0 0%			2 100%			1 50%		
Environmental Management	2	1 50%	2%	1%	2 100%			2 100%	1%	
Social Development	3	0 0%	2%	1%	1 33%			1 33%	2%	
Education	1	0 0%			0 0%			1 100%		
Clean and Safe Environment	3	0 0%	7%	14%	1 33%	4%		3 100%	11%	3%
Health Care	1	0 0%	11%	32%	0 0%	2%		1 100%	3%	2%
HIV/AIDS Management	1	0 0%			0 0%			1 100%		
Governance	4	1 25%	21%	15%	2 50%	9%		2 50%	11%	1%
Housing Development	1	1 100%	1%	1%	1 100%	1%		1 100%	2%	47%
Spatial Development	1	1 100%			1 100%			0 0%	3%	
Land Reform Programmes	1	0 0%			0 0%			0 0%		
Amenities	1	0 0%			0 0%	7%		0 0%	6%	9%
Balance			4%	9%		-1%	1%		1%	8%

Table A2.1.2 (b): Boland District Comparison of IDP priorities and Budget Expenditures

IDP Priorities	No.	Breede River/W'lands			Breede Valley			Drakenstein	Ave	Max
		IDP	Opex	Capex	IDP	Opex	Capex			
Local Economic Development	4	3 75%	2%		2 50%	1%		1 25%	40%	75%
Basic Services	4	3 75%	56%	24%	0 0%	40%	34%	3 75%	65%	100%
Tourism	1	1 100%	1%		1 100%	1%		0 0%	80%	100%
Infrastructure	2	2 100%	6%	7%	1 50%	4%	25%	1 50%	60%	100%
Law Enforcement	2	2 100%			1 50%			1 50%	70%	100%
Environmental Management	2	1 50%	6%		0 0%	1%		1 50%	60%	100%
Social Development	3	2 67%			2 67%			1 33%	47%	67%
Education	1	1 100%			1 100%			0 0%	60%	100%
Clean and Safe Environment	3	1 33%	2%		1 33%	4%	3%	1 33%	47%	100%
Health Care	1	0 0%	1%		1 100%	2%		0 0%	40%	100%
HIV/AIDS Management	1	0 0%			0 0%			0 0%	20%	100%
Governance	4	4 100%	12%	22%	1 25%	22%		2 50%	55%	100%
Housing Development	1	1 100%	1%	23%	1 100%		22%	0 0%	80%	100%
Spatial Development	1	1 100%			0 0%			0 0%	40%	100%
Land Reform Programmes	1	0 0%			0 0%			0 0%	0%	0%
Amenities	1	0 0%	2%		1 100%	6%	6%	0 0%	20%	100%
Balance			11%	24%		19%	10%			

Table A2.1.3: Overberg District Comparison of IDP priorities and Budget Expenditures

IDP Priorities	No.	Overberg DM			Theewaterskloof			Swellendam			Cape Agulhas			Ave	Max
		IDP	Opex	Capex	IDP	Opex	Capex	IDP	Opex	Capex	IDP	Opex	Capex		
Local Economic Development	4	1 25%			2 50%	1%		1 25%		4%	0 0%			30%	50%
Basic Services	6	3 50%	13%		2 33%	36%	27%	6 100%	56%	66%	5 83%	58%	19%	67%	100%
Tourism	1	1 100%	15%		1 100%	1%		1 100%	2%		1 100%	4%		100%	100%
Infrastructure	4	1 25%	21%		2 50%	10%	5%	4 100%	9%	22%	2 50%	11%	63%	60%	100%
Law Enforcement	2	1 50%		2%	1 50%			1 50%			1 50%			60%	100%
Environmental Management	3	2 67%			2 67%			3 100%			1 33%			67%	100%
Social Development	3	1 33%			2 67%			2 67%			2 67%			60%	67%
Education	1	0 0%			0 0%			0 0%			0 0%			0%	0%
Clean and Safe Environment	1	1 100%	14%	69%	1 100%	6%		0	5%		0	3%	1%	40%	100%
Health Care	2	1 50%	6%		2 100%	3%	1%	1 50%	1%		0 0%	2%		60%	100%
HIV/AIDS Management	1	0 0%			0			0			0			20%	100%
Governance	3	0 0%	31%	17%	2 67%	9%		3 100%	18%	3%	2 67%	14%	13%	60%	100%
Housing Development	1	0 0%			0	1%	42%	1 100%			0			20%	100%
Spatial Development	2	2 100%			2 100%			2 100%			2 100%			100%	100%
Land Reform Programmes	1	0 0%			0			0			0			20%	100%
Amenities			1%	12%		5%	5%		11%	4%		9%	5%	0%	0%
Balance			-1%	0%		28%	20%		-2%	1%		-1%	-1%		

Table A2.1.4 (a): Eden District Comparison of IDP priorities and Budget Expenditures

IDP Priorities	No.	EDEN DM			Mossel Bay			George			Kannaland		
		IDP	Opex	Capex	IDP	Opex	Capex	IDP	Opex	Capex	IDP	Opex	Capex
Local Economic Development	10	6 60%			7 70%	1 1%		6 60%			6 60%		2 2%
Basic Services	5	2 40%	Yes		5 100%	56%	29%	5 100%	59%		4 80%	48%	12%
Tourism	1	1 100%			1 100%	3%		1 100%	1%		1 100%		2 2%
Infrastructure	7	1 14%		Yes	4 57%	6%	21%	2 29%	7%		0 0%	13%	11%
Law Enforcement etc	1	1 100%			1 100%			1 100%			1 100%	2%	
Environmental Management	4	2 50%			2 50%			1 25%			2 50%		
Social Development	9	0 0%			3 33%			4 44%			4 44%		
Education	3	0 0%			1 33%			2 67%	1%		2 67%		
Clean and Safe Environment	5	0 0%			4 80%	6%	2%	4 80%	7%		2 40%		3%
Health Care	1	0 0%			0 0%	3%		0 0%	6%		0 0%	2%	1%
HIV/AIDS Management and	1	1 100%			1 100%			1 100%			1 100%		
Governance	6	0 0%			4 67%	14%	5%	4 67%	14%		2 33%	31%	1%
Housing Development	1	0 0%			0 0%		38%	1 100%			0 0%	1%	7%
Spatial Development	1	0 0%			0 0%			0 0%			0 0%		
Land Reform Programmes	1	1 100%			1 100%			1 100%			1 100%		59%
Amenities		0 0%			0 0%	9%	5%	0 0%	7%		0 0%	4%	3%
Balance			100%	100%		2%	0%		-2%	100%		-1%	-1%
			100%	100%		100%	100%		100%	100%		100%	100%

Table A2.1.4 (b): Eden District Comparison of IDP priorities and Budget Expenditures

IDP Priorities	No.	Knysna			Langeberg			Plettenburg Bay			Oudtshoorn		
		IDP	Opex	Capex	IDP	Opex	Capex	IDP	Opex	Capex		Ave	Max
Local Economic Development	10	7 70%			2 20%			3 30%		7%	6 60%	48%	70%
Basic Services	5	5 100%	51%	41%	5 100%	50%	37%	5 100%	48%	66%	4 80%	92%	100%
Tourism	1	0 0%	1%		1 100%	5%	8%	1 100%			1 100%	80%	100%
Infrastructure	7	1 14%	13%	11%	2 29%	14%	27%	7 100%	9%	10%	2 29%	34%	100%
Law Enforcement etc	1	1 100%			1 100%			1 100%			1 100%	100%	100%
Environmental Management	4	1 25%			2 50%			4 100%		3%	1 25%	50%	100%
Social Development	9	5 56%			1 11%			3 33%			6 67%	42%	67%
Education	3	0 0%			0 0%			2 67%			1 33%	33%	67%
Clean and Safe Environment	5	4 80%	7%	4%	1 20%	5%	1%	3 60%	5%	2%	3 60%	52%	80%
Health Care	1	0 0%	4%		0 0%	4%		0 0%	6%		0 0%	0%	0%
HIV/AIDS Management	1	1 100%			1 100%			1 100%			1 100%	100%	100%
Governance	6	2 33%	15%	5%	2 33%	18%	16%	3 50%	21%	7%	3 50%	40%	50%
Housing Development	1	0 0%	2%	31%	1 100%	1%		0 0%	2%	2%	1 100%	40%	100%
Spatial Development	1	0 0%			0 0%			0 0%			1 100%	20%	100%
Land Reform Programmes	1	1 100%			1 100%			1 100%			1 100%	100%	100%
Amenities		0 0%	8%	9%	0 0%	5%	10%	0 0%	9%	2%		0%	0%
Balance			-1%	-1%		-2%	1%		0%	1%			

Table A2.1.5: Central Karoo District Comparison of IDP priorities and Budget Expenditures

IDP Priorities	No.	Central Karoo DM			Beaufort West			Laingsburg			Prins Albert		Ave	Max
		IDP	Opex	Capex	IDP	Opex	Capex	IDP	Opex	Capex	IDP			
Local Economic Development	6	1 17%	2%	1%	6 100%			1 17%			1 17%	37%	100%	
Basic Services	4	1 25%	4%	19%	4 100%	43%	24%	4 100%	48%	19%	4 100%	75%	100%	
Tourism	1	1 100%	3%		1 100%			0 0%		6%	0 0%	60%	100%	
Infrastructure	4	3 75%	44%	43%	4 100%	16%	39%	3 75%	5%	21%	3 75%	80%	100%	
Law Enforcement	2	1 50%			0 0%			0 0%			0 0%	20%	50%	
Environmental Management	2	2 100%			2 100%			1 50%			1 50%	80%	100%	
Social Development	3	2 67%	5%		1 33%			2 67%			2 67%	53%	67%	
Education	1				0 0%			0 0%			0 0%	0%	0%	
Clean and Safe Environment	1	1 100%	1%	1%	0 0%	2%	1%	1 100%	9%	1%	1 100%	80%	100%	
Health Care	1	1 100%	14%		1 100%	5%		0 0%	1%		0 0%	60%	100%	
HIV/AIDS Management	1	0 0%			1 100%			0 0%			0 0%	40%	100%	
Governance	5	3 60%	14%	1%	4 80%	30%	11%	1 20%	29%	3%	1 20%	44%	80%	
Housing Development	1	0 0%		31%	1 100%	1%		1 100%		14%	1 100%	80%	100%	
Spatial Development	1	0 0%			0 0%			1 100%			1 100%	40%	100%	
Land Reform Programmes	1				0 0%			0 0%			0 0%	0%	0%	
Amenities	2	0 0%	1%	4%	2 100%	3%	22%	0 0%	8%	33%	0 0%	30%	100%	
Balance			12%	0%		0%	3%		0%	3%				

Annexure A3: Aggregation of Budgets

The budgets of all municipalities were analysed and grouped according to the themes identified in Table A2.

Besides the problems discussed in the body of the report, three local municipality budgets were missing. These were Drakenstein (Boland District), Overstrand (Overberg District) and Oudsthoorn (Eden District).

George Municipality presented its capital budget in a format that was very different to the other municipalities and appears separate from the other municipalities in the Eden district.

Some capital budgets do not balance. This is an indication of either how difficult the relevant information was to identify, or that the budgets did not actually balance.

A3.1 Budget 1: West Coast District

	Income	Expenditure
Administration	R65,761,187	R109,861,818
Basic Services	R297,406,902	R248,881,549
Tourism	R4,409,750	R4,918,258
Safe and Clean Environment	R16,199,940	R48,937,985
Health Services	R6,736,722	R23,175,521
Public Facilities	R1,077,812	R24,143,562
Social Development	R0	R530,719
Local Economic Development	R151,900	R1,450,925
Infrastructure	R137,258	R24,226,289
Housing	R1,566,603	R3,238,600
Unclassified	R82,628,027	R2,307,134
OPERATING BUDGET	R476,076,101	R489,365,226
Infrastructure		R58,162,500
Basic Services		R50,759,223
Housing	R35,340,000	R61,466,600
Safe and Clean Environment		R8,543,500
Public Facilities		R26,603,380
Non Classified Assets		R1,610,000
Administration		R14,431,390
Health Services		R573,000
Tourism		R10,648,300
Local Economic Development		R300,000.00
FINANCE	R198,018,602	
CAPITAL BUDGET	R233,358,602	R233,097,893

A3.2 Budget 2: Boland District

	Income	Expenditure
Administration	R260,551,220	R160,907,772
Basic Services	R517,063,424	R446,090,359
Tourism	R5,036,855	R6,665,327
Safe and Clean Environment	R15,366,164	R57,167,514
Health Services	R26,805,737	R46,098,864
Public Facilities	R5,651,029	R42,416,179
Social Development	R7,932,247	R12,362,950
Local Economic Development	R4,280,912	R13,798,455
Infrastructure	R38,472,153	R121,034,076
Environmental Management	R2,188,016	R12,760,408
Housing	R5,371,551	R9,406,088
Unclassified Funds	R58,901,736	R10,425,308
Spatial Development Framework	R87,440	R9,462,917
OPERATING BUDGET	R947,708,484	R948,596,217
Infrastructure		R40,360,700
Basic Services		R62,893,000
Housing		R73,648,447
Safe and Clean Environment		R9,071,000
Public Facilities		R15,466,300
Non Classified Assets		R18,294,700
Administration		R8,410,200
Health Services		R8,528,000
Social Development	R0	R40,000
Local Economic Development	R0	R564,200
Environmental Management	R0	R124,363
Other		R4,463,000
Revenue Received from National	R17,081,000	
Revenue Received from Provincial	R99,483,449	
Revenue Received from District	R16,835,000	
Other Sources of Finance	R56,582,463	
CAPITAL BUDGET	R189,981,912	R241,863,910

A3.3 Budget 3: Overburg District

	Income	Expenditure
Administration	R11,920,385	R37,580,888
Basic Services	R110,645,129	R97,576,920
Tourism	R8,115,890	R10,583,234
Safe and Clean Environment	R11,118,750	R16,787,198
Health Services	R4,086,188	R5,182,578
Public Facilities	R2,698,326	R14,163,338
Local Economic Development		R963,282
Infrastructure	R2,200,952	R20,294,358
Housing	R1,144,635	R1,144,635
Environmental Management	R324,500	R2,734,100
Unclassified	R103,314,028	R51,916,838
OPERATING BUDGET	R255,568,783	R256,193,269
Infrastructure		R12,498,974
Basic Services		R26,815,413
Housing		R15,462,633
Safe and Clean Environment		R3,182,000
Public Facilities		R4,016,013
Administration		R2,700,480
Health Services		R400,000
Tourism		R0
Local Economic Development		R900,000
Revenue Received from National	R18,100,000	R0
Revenue Received from Provincial	R27,604,233	R0
Revenue Received from District	R0	R0
Other Sources of Finance	R27,865,495	R0
Capital Budget	R73,569,728	R65,975,513

A3.4 Budget 4 Eden District

	Income	Expenditure
Administration	R27,719,281	R152,242,153
Basic Services	R581,263,981	R474,031,667
Tourism	R9,507,520	R9,468,815
Safe and Clean Environment	R31,096,300	R54,851,801
Health Services	R18,762,097	R41,260,058
Public Facilities	R3,828,040	R65,703,170
Social Development	R88,700	R88,700
Local Economic Development	R4,000	R4,460,520
Infrastructure	R5,281,998	R76,600,140
Housing	R1,062,440	R6,109,455
Unclassified	R246,433,723	R62,893,001
OPERATING BUDGET	R925,048,080	R947,709,480
Infrastructure	R9,500,000	R32,412,894
Basic Services	R0	R63,684,833
Housing	R9,350,000	R43,044,700
Safe and Clean Environment	R0	R6,499,700
Public Facilities	R2,832,000	R10,498,888
Non Classified Assets	R0	R2,121,384
Administration	R0	R10,393,570
Health Services	R150,000	R290,000
Tourism	R0	R3,951,100
Local Economic Development	R1,510,000	R3,422,000
Land Reform and Redistribution	R65,000,000	R65,000,000
Revenue Received from National	R29,030,301	R0
Revenue Received from Provincial	R13,191,558	R0
Revenue Received from District	R7,009,600	R0
Other Sources of Finance	R103,475,060	R0
George		
Administration		R13,685,300
Community Services		R19,347,500
Health Services		R7,349,000
Civil Services		R28,596,000
Electrical and Mechanical Services		R18,885,800
Finances		R350,000
Income	R235,800	
Internal Loans	R30,107,300	
National and Provincial	R33,471,000	
Specific Funds	R24,399,500	
CAPITAL BUDGET	R329,262,119	R329,532,669

A3.5 Budget 5: Central Karoo District

	Income	Expenditure
Administration	R 16,112,432	R 22,652,334
Basic Services	R 35,763,226	R 26,909,746
Safe and Clean Environment	R 51,700	R 2,205,084
Health Services	R 6,940,062	R 8,507,782
Public Facilities	R 333,964	R 2,129,089
Tourism	R 244,191	R 1,197,791
Local Economic Development	R 972,998	R 1,108,869
Social Development		R 2,105,858
Infrastructure	R 19,127,808	R 26,471,632
Housing	R 13,500	R 376,820
Unclassified	R 21,668,409	R 5,963,403
OPERATING BUDGET	R 101,228,290	R 99,628,408
Infrastructure		R 17,520,580
Basic Services		R 10,458,200
Housing		R 6,370,000
Safe and Clean Environment		R 360,000
Public Facilities		R 9,923,000
Administration		R 2,913,760
Tourism		R 880,000
Local Economic Development		R 50,000
Unclassified Assets		R 1,025,000
Revenue Received from National	R 33,711,780	
Revenue Received from Provincial	R 10,507,000	
Revenue Received from District	R 1,040,000	
Other Sources of Finance	R 4,241,760	
Capital Budget	R 49,500,540	R 49,500,540

A3.6 Budget 6: Cape Town Unicity

	Income	Expenditure
Administration	R976,694,992	R972,052,821
Trading Services	R4,075,664,053	R4,337,751,675
Community Services	R363,971,629	R1,716,943,984
Development Infrastructure	R351,796,313	R1,292,773,652
Rates	R2,666,111,545	R114,900,400
Operating Budget	R9,410,933,524	R9,406,475,353
Administration		R273,383,575
Clinics		R7,681,000
Infrastructure		R430,435,236
Basic Services		R546,085,109
Housing		R338,170,726
Safe and Clean Environment		R43,855,481
Public Facilities		R53,392,368
Other - other		R92,624,316
National Government 03/04	R31,433,000	
National Government - carried over	R13,500,000	
Provincial Government 03/04	R295,228,259	
Provincial Government carried over	R165,804,576	
Internal advances	R971,844,941	
Public contributions	R70,469,000	
Other	R237,348,035	
Capital Budget	R1,785,627,811	R1,785,627,811