



# **BUDGET 2005**

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To obtain additional information and/or copies of this document, please contact:

Western Cape Provincial Treasury  
Directorate Budget Office  
Private Bag X9165  
15 Wale Street  
Cape Town  
Tel: (021) 483-5618  
Fax: (021) 483-3639  
E-mail: [pppienaa@pgwc.gov.za](mailto:pppienaa@pgwc.gov.za)

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# FOREWORD

The numbers in Budget Statements one and two hide the long road travelled by the Provincial Government over the last 12 months. Especially the lead departments (Social Services and Poverty Alleviation, Health, Education, Economic Development, Environmental Affairs and Development Planning and Transport and Public Works) worked hard to produce what is included in this document. A further development was that the Chief Financial Officers and Strategic Planners in these departments grew from people filling out formats provided by the Treasury to being the drivers of strategic change in the Province.

As always much remains to be done, but if the energy and commitment of 2004/05 is sustained we must certainly reach our goal of creating a 'Home for All'.

None of the above would have been possible without the leadership of Premier Rasool, Minister Brown and the rest of Cabinet. Without your support and insistence on transformation, none of this would have happened.

To my trusted Treasury staff and everyone else who participated and contributed to the successful conclusion of the budget process and making the publication of this important document a reality, my sincere appreciation and gratitude.

A handwritten signature in black ink, appearing to read 'J.C. Stegmann', followed by a horizontal line.

**DR JC STEGMANN**  
**HEAD OFFICIAL: PROVINCIAL TREASURY**

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## Abbreviations

ACSA:	Airports Company of South Africa
AG:	Auditor-General
ASB:	Accounting Standards Board
BAS:	Basic Accounting System
BEE:	Black Economic Empowerment
BER:	Bureau for Economic Research
BPO:	Business Process Outsourcing
CASIDRA:	Cape Agency for Sustainable Development in Rural Areas
CASP:	Comprehensive Agricultural Support Programme
CCT:	City of Cape Town
CFO:	Chief Financial Officer
CIDB:	Construction Industry Development Programme
CPD	Corporation for Public Deposits
CSG:	Child Support Grant
DBSA:	Development Bank of Southern Africa
DEA&DP:	Department of Environmental Affairs and Development Planning
DEDAT:	Department of Economic Development and Tourism
DG:	Disability Grant
DORA:	Division of Revenue Act
DoT:	Department of Transport (National)
DoTP:	Department of the Premier
DPW:	Department of Public Works
ECD:	Early Childhood Development
EDU:	Economic Development Unit
EHS:	Environmental Health Services
ELSEN:	Education for Learners with Special Education Needs
EMIS:	Education Management Information System
EPWP:	Expanded Public Works Programme
FAS:	Foetal Alcohol Syndrome
FDI:	Foreign Direct Investment
FET:	Further Education Training
FETC:	Further Education and Training Certificate
FMS:	Financial Management System
FSD:	Farmer Support and Development
GDPR:	Gross Domestic Product by Region
GEPF:	Government Employees Pension Fund
GET:	General Education and Training
GRAP:	Generally Recognised Accounting Practice
GSSC:	Gauteng Shared Services Centre
HEI:	Higher Education Institutions
HIS:	Hospital Information system
HIV/Aids:	Human Immune Virus/Acquired Immune Deficiency Syndrome
HRD:	Human Resource Development
HRDS:	Human Resource Development Strategy
HSRC:	Human Sciences Research Council
ICS:	Improvement in Conditions of Service
ICT:	Information Communication Technology
IDC:	Industrial Development Corporation
IDIP:	Infrastructure Delivery Improvement Programme
IDP:	Integrated Development Plans
iLRP	Integrated Law Reform Project
INP:	Integrated Nutrition Programme
ISRDP:	Integrated Strategic Renewal Development Programme

IYM:	In-year monitoring
LCC:	Loan Co-ordinating Committee
LED:	Local Economic Development
LOGIS:	Logistical Information System
LRAD:	Land Redistribution and Agricultural Development
MEC:	Member of Executive Council
MEDS:	Micro Economic Development Strategy
MFMA:	Municipal Finance Management Act
MIG:	Municipal Infrastructure Grant
MoA:	Memorandum of Agreement
MoU:	Memorandum of Understanding
MSP:	Master Systems Plan
MTBPS:	Medium Term Budget Policy Statement
MTEF:	Medium Term Expenditure Framework
NGO:	Non-governmental Organisation
NMIR:	National Minimum Information Requirements
NQF:	National Qualification Framework
NSDP:	National Spatial Development Perspective
NTSG:	National Tertiary Services Grant
PDC:	Provincial Development Council
PERSAL:	Personnel and Salary Administration System
PER&O:	Provincial Economic Review and Outlook
PES:	Provincial Equitable share
PFMA:	Public Finance Management Act
PGDS:	Provincial Growth and Development Summit
PGWC:	Provincial Government Western Cape
PHC:	Primary Health Care
PIG:	Provincial Infrastructure Grant
PMTCT:	Prevention of Mother-to-Child Transmission
POS:	Public Ordinary Schools
PPP:	Public Private Partnerships
PSDF:	Provincial Spatial Development Framework
PSNP:	Primary School Nutrition Programme
QALYs:	Quality-Adjusted Life Years
RED:	Real Enterprise Development
SARS:	South African Revenue Services
SASSA:	South African Social Security Agency
SCF:	Social Capital Formation
SCFS:	Social Capital Formation Strategy
SETA:	Sector Education and Training Authority
SIP:	Strategic Infrastructure Plan
SITA:	State Information Technology Agency
SMME:	Small Medium and Micro Enterprise
SMS:	Senior Management Service
TB:	Tuberculosis
TCF:	Technical Committee on Finance
TIPS:	Trade and Industry Policy Service
UPFS:	Uniform Patient Fee Schedule
URP:	Urban renewal programme
URS:	User Requirement Statement
WCNCB:	Western Cape Nature Conservation Board
WECCO:	Western Cape Clean-up Operation
WCED:	Western Cape Education Department
Wesgro:	Western Cape Investment and Trade Promotion Agency

# BUDGET STATEMENT ONE

## BUDGET OVERVIEW

### 1. Introduction

The Western Cape Provincial Government has made significant progress on the path towards becoming a developmental force in the Province. The past year was mostly used to finalise iKapa Elihlumayo, our provincial growth and development strategy. These strategies have now reached a sufficient level of sophistication to be used as a basis for resource allocation. Apart from the overarching lead strategies, the specific roles of each Department in finalising these strategies have also been greatly clarified. These developments have allowed the Province to start shifting its emphasis to implementation and the design of monitoring and evaluation systems.

In what follows we sketch the context provided by provincial and national policy frameworks as well as the prevailing socio-economic conditions in the Province. Subsequent to that we consider the size and nature of the revenue sources that the Province has access to. In closing we discuss the resources allocated per department as well as the economic classification of these allocations. Departmental allocations show how we are beginning to give effect to iKapa Elihlumayo in Budget 2005/06.

### 2. National Policy Framework

The evolution of a stable and well-functioning intergovernmental fiscal system has been a notable success of South Africa's first decade of democracy. The benefits of this achievement are now seen in improved economic growth rates, low levels of inflation, a more favourable investment climate and greater room for social and economically stimulating investment expenditure. Widespread poverty and inequality however continue to characterise our economy and unemployment levels remain stubbornly high, even while recent trends suggest that the economy is making progress in this regard.

The central thrust of government's response to addressing the challenges of poverty and underdevelopment, rests on the three pillars, identified in President Mbeki's State of the Nation address, of May 2004. These are:

- "Encouraging the growth and development of the First Economy, increasing its possibility to create jobs;
- Implementing our programme to address the challenges of the Second Economy; and
- Building a social security net to meet the objectives of poverty alleviation".

This is reinforced through the "*Programme of Action* of a Government that cares for its people, that makes socially just choices and that is committed to service delivery in the spirit of *Batho Pele*".

In his 2005 State of the Nation Address President Mbeki summarises the programmes for the coming year as being "premised on the broad objectives to increase investment in the economy, lower the cost of doing business, improve economic inclusion and provide the skills required by the economy".

The implementation of these objectives require the consolidation of institutional reforms of the democratic transition, to build capacity where service delivery falls short and to promote greater participation and interaction of people with organs of government. Such mechanisms include the implementation of sectoral charters agreed at the National Growth and Development Summit in 2003, improving the support provided to small and medium enterprises, broad-based black economic empowerment, improving municipal financial management and economic planning, extending monitoring and evaluation systems into all areas of government service delivery, improving the skills and competence within the public service, reinforcing a culture of *Batho Pele* and a spirit of partnership with other sectors of society across all spheres of government.

In order to meet these challenges Government has adopted a medium term strategic framework focused on five policy priorities for the period ahead:

- Increasing the rate of growth and productive investment;
- Promoting economic and social mobility, encouraging links between the first and second economies through employment and enterprise development;
- Social development, income support and mobilising human resources;
- Improving the state's capacity to promote growth, broaden development and combat crime; and
- International relations for growth and development.

In achieving these objectives the National Minister of Finance, in his Budget Speech on 23 February 2005, focused on the need to accelerate economic growth, advance social development based on the premises of broad-based development and achieving greater levels of equity and redistribution.

The achievement of these three objectives are interlinked and necessitates that a careful balance be reached between direct income support, improved public services such as education, health and municipal services and investing in social infrastructure such as housing, water, sanitation, roads and public transport.

### **Encouraging Growth and Development**

Achieving greater levels of economic growth is of limited value unless government is able to ensure that it “confronts the challenge of making our growth pro-poor”. Furthermore, many of the strategies aimed at promoting economic growth also directly contribute towards ensuring greater equity and redistribution. To achieve this, the National Budget focuses on amongst others:

- Increasing levels of investment in modern transport, communication, water and energy networks that ensure a more efficient economic landscape and contributes to a more balanced development between suburbs and townships, between urban and rural areas and between the first and second economies. Such expenditure is supportive of unlocking the labour-absorbing potential of infrastructure and building programmes;
- Strengthening the links between Further Education and Training and the requirements of the workplace. Providing better and more appropriate skills is crucial to improving economic inclusion and providing the skills required by the economy;
- Simplifying the environment in which small business operate; and
- Support measures for emerging farmers and land reform beneficiaries.

### **Promoting and Building Links with the Second Economy**

The Second Economy plays a vital role in terms of employment creation as well as a direct and indirect contribution to the national economy. In his State of the Nation Address (11 February 2005), President Mbeki identified a number of additional programmes aimed at the Second Economy, which form part of the Expanded Public Works Programme focussed on “providing training, work experience and temporary income especially to women and youth”. These are:

- The Early Childhood Development programme, based on community participation, having ensured a common approach among all three spheres of government;
- Increasing the numbers of Community Health Workers, having harmonised training standards and increased resources allocated to the programme; and,
- The more extensive use of labour intensive methods of construction targeting housing, schools, clinics, sports facilities, community centres and the services infrastructure.”

### **Advancing Social Development**

One of the key achievements of recent budgets has been the steady progress made in raising the proportion of spending on social services that goes to the poorest 40% of the population.

Welfare and social assistance, health, education, land restitution and housing have evolved into strongly redistributive expenditure programmes. Importantly the National Budget speech recognises the need to “give greater impetus to investments in housing, in community infrastructure, in municipal services and in local economic development – not just as projects of government departments or municipalities, but as constructive partnerships that mobilise local enterprise, private capital, indigenous creativity”. A key ingredient of modern successful economies is the achievement of a social compact, which sees all the social partners working together to achieve a common objective.

The cultivation of appropriate skills, especially technical skills, is central to government's efforts to ensure a growing economy. However, skills development is also central to achieving government's objectives of equity and redistribution, by equipping all learners with the necessary skills to compete equally in the labour market.

Better governance and administration are key to ensuring better service delivery and meeting the needs of the poor. This together with “improved salaries for educators and social workers, a new conditional grant for further education colleges, and funds to enable provinces to fulfil their responsibility for primary health services formerly provided by non-metropolitan municipalities” should ensure better service delivery.

After the discussion of the National Policy Framework, the second important component of the background to Budget 2005/06 is the prevailing socio-economic conditions in the Province. We discuss these in greater detail in the next section.

### **3. Western Cape Provincial Economic Review and Outlook 2005**

#### **The South African economy**

The 2005 Provincial Economic Review and Outlook (PER&O) reveals that the Western Cape's economic fortunes are closely linked to those of the national economy. Following a decade of economic restructuring and prudent macro-economic policies, the outlook for the South African economy is the best in years.

In this respect, the South African economy has matured appreciably over the past decade and is poised for higher growth. Fiscal policy has become more supportive of growth, prospects for lower and more stable inflation and interest rates are real, tariff reductions have for the most part run their course, the political climate is the most stable in years and business and consumer confidence are on historically high levels. This reflects an optimistic business mood intent on expanding production capacity. Exchange rate volatility however remains a threat and places substantial pressure on export (higher value-added) and import competing sectors.

The global economy is expected to remain supportive of domestic economic growth over the short term. The biggest risk to the favourable global economic outlook is high oil prices.

South African economic growth averaged a relatively pedestrian 2.9% over the past decade; however, there are increasing signs of structurally higher growth prospects. In 2003, economic growth was adversely affected by the strength of the currency, but the affected production sectors are recovering as business adjusts to the macroeconomic forces. Real Gross Domestic Product (GDP) growth is forecast to accelerate to 4.1% in 2005 and 3.6% in 2006.

Job creation is expected to accompany robust fixed investment spending as firms contemplate expansion. A more satisfactory rate of employment creation remains the single most important national economic challenge.

The financial environment should remain supportive to economic growth over the short term, with inflation and inflation expectations adjusting to lower levels in a structural sense, creating the possibility of lower real interest rates and sustainable higher real economic growth. While exchange rate volatility could be problematical, the improved balance of payments (BoP) reserves and investor confidence should prevent a repeat of the 1998 and 2001 'Rand events'. Somewhat disconcerting is the composition of the capital inflows on the South African Balance of Payments over the past 8 months, revealing a still insufficient flow of net foreign direct investment (FDI).

#### **The Western Cape economy**

The Western Cape regional economy displays a number of unique structural trends, giving rise to a dynamic process that has its own strengths and poses unique challenges to policy-makers.

Compared to the relatively small population share (10.2%), the Western Cape economy has a broad base with a multitude of sub-sectors and niches, many of which are growing well or have the potential to expand. With the exception of the mining sector, the Western Cape economy is well represented in each sector, with tourism as well as agriculture making up much of the mining deficit.

The Western Cape economy is well represented in the nationally fast-growing services industries such as financial and business services (contributing 27% to the regional GDP), internal trade and catering (16%) and transport and communication (10%). The tourism industry is an important source of growth in these and other sectors. The size of the Province's manufacturing sector is similar to that in the national economy, around 20% of regional GDP (GDPR).

A salient feature of the Western Cape economy is the rapidly growing niche manufacturing and services industries, not always portrayed in the conventional national accounts statistics. Agriculture, construction and the government sectors are also important contributors to GDPR. The largest employers in the region are the government, internal trade and catering, manufacturing, agriculture and "other producers" (mainly domestic servants). Combined, these sectors account for more than 75% of the total regional employment opportunities in the Western Cape.

The Western Cape economy has outperformed the national economy over the past five years. Real GDPR growth for the Western Cape economy averaged 3.9% over the period 1999 to 2003, compared to the national average of 3.1%.

The better performance of the Western Cape economy over the past five years is largely due to the strong growth of the region's services industries, such as transport and communication, financial and business services and internal trade and catering. While these are nationally fast-growing industries, the Western Cape outperformed national in these sectors, particularly in internal trade and catering (which grew by 6.6% per annum over the past five years compared to 5.3% nationally) and finance and business services (6.3% versus 5.4%).

The internal trade and catering sector benefited from tourism, which has been a fast-growing sector in the Western Cape. The proportionately larger financial and business services sector in the Western Cape benefited from the property boom and the recovery in asset markets following the 2000 global meltdown in the ICT sector.

In contrast, the growth of the overall Western Cape overall manufacturing industry has been disappointing. Real value-added Western Cape manufacturing grew at half the pace of the national average, or at 1.4% per annum between 1999 and 2003 compared to 2.8% nationally. The share of manufacturing in the regional GDP declined

from 23% in 1995 to 19.9% in 2003. The decline in the sector's formal employment contribution was worse, dropping from 21% in 1995 to 16% in 2003.

### Outlook 2005/06 – 2007/08

In all, the Western Cape economy is expected to recover from the headwinds experienced in 2003/04 and business is adjusting to the strong Rand.

From a domestic demand perspective, the short-term outlook for the Western Cape economy is decidedly favourable, similar to the national situation. *Inflation* and *interest rates* are likely to remain *supportive* to final consumer spending. *Consumer confidence* is *high* and rising and consumers' ability to spend is likely to continue to improve due to above-inflation wage settlements and improving employment conditions.

The improvement in *employment* in the Western Cape could *lag* that of the rest of the country due to the problems in the labour-intensive clothing industry, as well as the other major employers in the manufacturing sector, in particular food processing, wood products, printing and publishing. The positive employment trend in the retail, tourism and business services sectors is likely to persist and this needs to be supported.

*Export demand* is also expected to be favourable over the projection period. While manufacturing exports are currently under pressure from the strong Rand exchange rate, a more robust recovery should unfold if the Rand depreciates, as is expected by most economists over the medium term.

Provided that the buoyancy in domestic demand is sustained and the more robust recovery anticipated in exports materialises, the lagging business confidence levels in the Western Cape should continue to catch up over the short term.

The outlook for *fixed investment* is promising. Generally, firms appear to be adopting a long-term view and are increasingly embarking on expansion plans.

Given these demand conditions, *real GDP growth* is expected to continue *accelerating* in 2005 and over the short term. In all, real GDP is projected to accelerate from growth of 3.3% in fiscal year 2003/04 to 4.1% and 4.3% during fiscal years 2004/05 and 2005/06 respectively, exceeding the projected national growth rate by a small margin.

In the outer years of the MTEF, real GDP growth is expected to decline slightly to 4.0% and 3.9% in fiscal years 2006/07 and 2007/08. These projections, however, remain above the national real GDP growth forecast of 3.9% in 2005/06, 3.5% in 2006/07 and 3.2% in 2007/08. Table 1 below therefore presents the Western Cape's macroeconomic outlook for the 2005 MTEF period.

**Table 1 Western Cape macro-economic outlook, 2004/5 – 2007/8<sup>1</sup>**

	2002/03	2003/04	2004/05F	2005/06F	2006/07F	2007/08F
<b>GDP (Rbn, current market prices)</b>	168.8	185.4	203.0	222.5	244.4	263.4
Real GDP growth	4.3	3.3	4.1	4.3	4.0	3.9
GDP inflation	8.4	6.3	5.3	5.1	5.7	3.8
Western Cape CPI inflation	9.0	4.6	2.3	4.5	5.5	3.7

<sup>1</sup> Fiscal years ending 31 March.

[Source: Bureau for Economic Research (BER)]

### Sectoral Growth and Employment Prospects

At a more detailed sectoral level, headlines point to the Western Cape economy outperforming the South African economy in GDP or value-added terms largely due to strong growth and contribution of tertiary services sectors. But these sectors have not been creating jobs and overall employment performance is much poorer than national. The latter result is a key risk factor, significantly jeopardising the Western Cape's chances of sharing economic benefits to a broader range of people and communities across the Province.

The aggregate picture, however, hides promising detail. The Western Cape's key attribute is its broad base and diversity of base sectors as well as up-and-coming or promising sub-sectors, industries or 'niches'. The Province's four core sectors – agriculture, manufacturing, trade and financial and business services – are each well diversified, reducing the risk of over-dependence on any single industry.

In addition, the region has a well-developed tourism sector, and reasonably strong and dynamic construction, fishing, professional services, higher education and transport sectors. A small mining base is mitigated by Saldanha's emergence as a major export harbour for minerals as well as a key base for the iron and steel industry.



The lack of any significant mining activity, capital-intensive mineral processing as well as attendant heavy industry accentuates the dominance of small and medium sized enterprises in the Western Cape economy, and is likely also to contribute towards the shift towards a service economy.

### **Sectoral development**

This means that Western Cape sector patterns are quite different from those at national level, although overall output and employment trends over time have been similar. Between 1995 and 2003, the strongest average annual output growth rates in the Province have been recorded in transport and communications (7.0%), wholesale and retail trade and hotels (5.2%), and finance and business services (5.0%).

Services together account for more than two-thirds of Provincial GDP, higher than the national average. Finance and insurance and business services, in particular, stand out with a share of 13.8% and 15.0% of GDP respectively in 2003, compared with 9.7% and 10.6% of national GDP.

There has been strong growth across services, led by transport (8.6%), finance and insurance (6.2%) and wholesale and retail trade (5.2%) which all recorded average annual growth rates from 1995 to 2003 in excess of 5% per annum.

The Province has recorded higher growth than the national average in catering and accommodation (4.9%), transport and storage (8.6%), business services (4.0%) and other producers (5.9%). This reflects the strengths in tourism, call centres, and as a major port Province.

In the secondary sector, the performance of manufacturing has been very disappointing, with an average growth just half that of the national performance of 2.2 % per annum since 1995.

The performance of manufacturing in the Western Cape reveals that in comparison with the national economy, industry in the Province is oriented towards food and beverages (a 21% share), clothing and textiles (8%), and wood, paper and publishing (12%) which together account for 41% of output (measured as value-added). By comparison, metals and machinery and transport equipment are much less important in the Province (16%) than they are nationally (21%).

For firms to be able to compete internationally, and to expand and grow employment it is important for them to increase their productive capacity and to upgrade equipment. Recent performance suggests that this is especially the case for employment growth in more labour-intensive sectors. But in very capital-intensive sectors, such as basic chemicals and basic iron and steel, increased investment has coincided with large reductions in employment. Similarly, in the *primary sector* the performance of *agriculture, forestry and fishing* in the Western Cape, with an average annual growth rate of 1.9 % since 1995, is also much poorer than the national growth rate of 3.5%. However, more detailed sub-sector analysis reveals that the data do not reflect recent developments in the Province and that performance has been better than the averages suggest. More specifically, there has been increased activity across a diverse range of agricultural activity, as well as increased output and employment in fishing and mariculture.

### **Employment patterns**

The most dramatic development has been a decline in manufacturing employment from 1995, and an increase in informal employment. From being the largest employer, manufacturing has been overtaken by general government services and community and social services – in particular the major generator of formal sector employment, with employment almost doubling in a decade.

It is surprising, however, that there has not been net employment creation in finance and business services, transport and communication, nor in wholesale and retail trade, hotels and restaurants given the output growth of these sectors. Of perhaps greater concern is that there is little indication of increased employment resulting from tourism and other services such as telecommunications.

It is evident that all manufacturing sectors in the Province had lower employment in 2003 than in 1995, except for transport equipment (3.2% average annual growth), which has grown from a very small base, and furniture and other manufacturing (1.1%). The biggest proportionate declines were in electrical machinery (-11.9% per annum) and other non-metallic minerals (which includes cement and brick-making) (-10.3%), and the biggest absolute job losses were in the largest sector, clothing, textiles and leather (23 737 net jobs), and leather, closely followed by food, beverages and tobacco (18 321 net jobs).

In the last three years, the metals and machinery sector has shown signs of growth (3.2% growth per annum from 2000), and this sector is linked with other high-potential sectors. Similarly, positive growth in employment in transport equipment in the Province reflects capabilities in auto components and in yacht- and ship-building.

Of more concern is that the Province's employment performance is generally much poorer than that of the country as a whole. In addition, while nationally the wood, paper and publishing and the petroleum and chemicals sectors have recorded employment growth from 2001 to 2003 of 0.7% and 1.5% per annum respectively, in the Western Cape employment overall has continued to stagnate.

The growth at the national level in these broad groupings relates to the narrower sub-groupings of wood products (due mainly to increased processing of forestry products) and plastic products. Plastic product manufacture is both labour-intensive and at the national level is experiencing higher than average employment growth (of 2.1% per annum), as plastic products increasingly replace other materials. The Western Cape needs to ensure that it benefits from these developments.

A major concern is that the strong growth in services is not reflected in employment patterns. Indeed, there have been contractions in employment in many service sectors. The largest contractions have been in communications (-4.8% per annum), transport (-4.3%) and catering and accommodation services (-4.2%).

Given the substantial growth in tourism it is surprising not to see this reflected in employment in catering and accommodation and transport. The communications sector shed almost 5 000 jobs between 1997 and 1998, probably reflecting major retrenchments by Telkom following its commercialisation and move to privatisation. Almost 4 000 jobs were also shed in transport between 1996 and 1998, reflecting retrenchments by Transnet, across their operations as part of broad restructuring of the corporation.

By comparison there have been high rates of employment growth in business services (average annual growth of 6.2%), wholesale and retail trade (3.2% growth) and other producers (4.5% growth). Business services reflect employment creation in call centres, while other producers may capture some of the effects of tourism. However, it is a little surprising that the Western Cape has not recorded as rapid increases in employment in business services as in the country as a whole.

### **Main drivers of provincial economic performance**

To a large extent the drivers of provincial economic performance are national. The national restructuring of industry in the past decade has been reflected in poor performance and employment losses in the Province. Similarly, the improved national growth in the past year and the move to a more expansionary macroeconomic stance means the Province should plan for growth – in addressing training, infrastructure and investment by firms.

Looking forward, a shared sustainable growth and employment path needs to rest on a broad foundation of agriculture, industrial regeneration, tourism, and services such as business process outsourcing that grows in output and employment. The pattern of higher growth in financial and business services and tourism, with agriculture remaining very important, does not negate the need to further develop the manufacturing base.

A crucial dimension in the Western Cape is its coastal location and the opportunities that arise from it. These opportunities are not only in exports, but also in deepening international links around investment, technology and production networks. The challenge is to translate the opportunities into output growth and employment in relatively labour-intensive areas of manufacturing and other sectors.

Lessons from industrializing countries and regions indicate that government plays a crucial role in strategic repositioning by anticipating future developments together with local economic stakeholders, and co-ordinating the actions of local institutions to meet the dynamic needs of the global customer.

The 2005 PER&O suggests that provincial government plays an important role in this respect. At the meso-economic level, provincial actions focus on connectivity and integration, linking macro frameworks, institutions, and interventions to local economic development, and where necessary designing appropriate provincial interventions that stimulate broad-based economic activity and raise levels of economic participation.

Province's role is then to identify and respond to global and nation economy-wide as well as sector and industry-specific opportunities and challenges. In particular, a key role rests in facilitating SMMEs and sector organisation development to take full advantage of opportunities presented.

Initially, these opportunities are likely to be found in the tertiary rather than the primary and secondary sectors. A key challenge is to therefore ensure that any further development of the tertiary sector does not entrench existing skill, capability and spatial patterns of inequality that exist in the Western Cape.

### **Employment and Remuneration Trends**

Turning to employment and remuneration prospects, many South Africans contend that economic restructuring has left many without work, and many more are convinced that our economic revival is about jobs, jobs and more jobs. A 'meso-cosm' of the national debate, the Western Cape picture is no different and the debate on the Provincial labour market performance no less contentious.

That said, it is important to get a better understanding of the Western Cape labour market, as it is the key mechanism through which individuals engage in the Provincial economy.

## **Demographic profile and migration trends**

As in other markets, the labour market functions through the interaction of supply and demand. A key determinant of labour supply is the size and structure of the population. As the Western Cape is a recipient of in-migration, the size and age profile of the present Provincial population, as well as the numbers and characteristics of individuals migrating into the province, are important factors that determine the present and future provincial labour supply.

Although the Provincial population is relatively young in that less than 15% is older than 50 years. Conversely, approximately two-thirds (66%) of the population is between the ages of 16 and 65 and is therefore of working age.

The working age population in the Province is therefore likely to grow as the younger groups grow older, while fewer older individuals exit the working age population. This change will filter through to the labour force, and the Provincial economy will therefore remain under significant pressure to create jobs for the foreseeable future.

Looking further ahead, unless migration affects the age distribution of the population significantly, the Western Cape is likely to face the prospect of an ageing population sooner than other provinces.

Substantial in-migration to the Province is a key factor influencing the Western Cape's changing demographic and labour market profile. It is estimated that the Province gains 48 000 individuals (net of out-migration) every year, with many of these motivated by perceived brighter employment prospects and higher incomes.

Although this may seem a relatively large number, particularly when summed up over time, annual in-migration represents only slightly more than one per cent of the Province's 2001 population (according to Census 2001).

In terms of the impact on the working age population, net in-migration constitutes an injection of young individuals into the Province's working age population (72.6% of in-migrants are under 36 years of age compared to 65.6% of those Western Cape residents who did not move in the inter-census period).

In-migrants from the Eastern Cape differ significantly from other in-migrants in this regard, with 83,3 per cent being in this age-group. This difference is even more marked when one compares the proportions for individuals between 16 and 35 years of age: 48.9% of other in-migrants fall into this age-group compared to 68.0% of those from the Eastern Cape. Being younger, Coloured and African migration streams represent an injection of young motivated workers, while the older White stream contributes few workers but brings in capital and skills.

In-migration may pose certain short-term challenges, particularly in the areas of service delivery and job creation where there are existing backlogs. It is essential that these challenges are identified, incorporated into current policy formulation and addressed proactively to ensure that potential future problems are avoided. Over the longer term, in-migration is a source of opportunity for increased labour. This depends significantly on strategies to upgrade and improve human resources and the Provincial skill base.

## **Employment and job creation**

Assessing labour market performance is often a contentious debate. At the technical level, the debate is fraught in respect of the analytical measures and data used to assess labour market performance; their robustness and how analytical results should be interpreted, given many data and measurement uncertainties.

Labour market analysts need to tread carefully amidst assessments that either point to the expansion of employment opportunities since 1995, based on national household survey data; or assert that South African growth over the last decade has been "jobless" due to economic restructuring.

At the national level, South Africa has witnessed notable growth in employment prior to 2000. But since then the aggregate national employment seems sticky at about 11,6 million jobs.

While the economy may be creating jobs, it may not be creating enough jobs given the rising numbers of new entrants into the labour market each year. If the annual job creation rate does not exceed or at least equal that of the labour force growth, then we will continue to see rising unemployment rates in South Africa.

A factual account of the South African labour market performance over the last decade says that by 2003, 8,3 million South Africans were unable to find work, up by more than four million individuals, with nearly 1,8 million of these becoming unemployed since 2000.

At the provincial level, the Western Cape's labour market performance holds brighter prospects when compared against its national counterpart. Since 2000, nearly 200 000 jobs were created in the Western Cape at a rate of 4% per year. This has seen the Province raise its share of national employment from 13% to 15%. Table 2 provides a comparative picture between the Province and South Africa as a whole.

**Table 2 Labour Force Change in South Africa and the Western Cape, 2000-2003**

	2000 '000s	2003 '000s	Change			Target Growth Rate (%)	Emp. Absorp. Rate (%)
			'000s	%	% p.a.		
Western Cape							
Employment	1 537	1 730	194	12.6	4.0	23.2	54.3
Expanded Unemployment	449	612	163	36.3	10.9		
Expanded Labour Force	1 986	2 342	356	17.9	5.7		
Official Unemployment	317	448	131	41.5	12.3	21.1	59.6
Official Labour Force	1 853	2 178	325	17.5	5.5		
South Africa							
Employment	11 675	11 612	(63)	(0.5)	(0.2)	14.6	(3.7)
Expanded Unemployment	6 538	8 302	1 763	27.0	8.3		
Expanded Labour Force	18 214	19 914	1 700	9.3	3.0		
Official Unemployment	4 074	4 562	487	12.0	3.8	3.6	(14.9)
Official Labour Force	15 750	16 174	424	2.7	0.9		

[Source: Statistics South Africa Labour Force Surveys, September 2000 and September 2003.]

Although employment growth has been above the national average, unemployment in the Province, irrespective of definition, has also expanded at a more rapid rate. This trend sees the official (narrow) unemployment rate rising from 17.1% in 2000 to 20.6% in 2003, and that measured broadly rising from 22.6% to 26.1% respectively.

These aggregate unemployment measures hide important trends common to particular population and age groups. Reflecting the demographic profile of the Province, most jobs in 2003 were filled by Coloured individuals (58%), with Africans and Whites each constituting around one-fifth of employment. At the same time, more than one-half or 320 000 of the 612 000 Western Cape unemployed are Coloured. In contrast, at 41%, Africans' share of unemployment is twice their employment share, indicating a substantial disadvantage for Africans in the provincial labour market. Conversely, Whites' unemployment share is around 6%; less than one-third of their employment share.

Perhaps most alarming, though, is the highly unequal age composition of employment and unemployment. In particular, the age group 16 and 25 years accounts for a mere 17% of employment but 46% of unemployment. Based on these figures, the problem of youth unemployment in the Province appears, structurally, to be relatively more acute than it is in the rest of South Africa, where this group's share of unemployment was just under 40% in 2003. Consequently, the Western Cape accounts for a relatively high share of the national number of unemployed 16 to 25 year olds, raising the pertinence of the youth focus of the iKapa Elihlumayo Social Capital and Human Resource Development strategies.

### **Remuneration trends and the skills bias**

Irrespective of what income level is used as reference, White formal sector workers are significantly better off than their Coloured counterparts, who in turn are better off than their African counterparts. At the top end of the income distribution, only 3.4% of African formal sector workers earned more than R6 000 per month in 2003, compared to 9.5% of Coloureds and almost half of White formal sector workers. In 2003, therefore, the inequalities in the Western Cape in terms of formal sector remuneration were considerable, with White individuals accounting for 57% of all workers earning over R6 000 per month and 64% of those earning over R8 000.

As individual's income is closely related to his or her occupation or skill level, it is therefore important to analyse skill distribution in a study of remuneration and inequality. Skills are highly unevenly distributed both nationally and within the Western Cape. Amongst those employed in the formal sector, Whites account for close to 54% of the highly skilled, compared to their 22% share of total formal sector employment. In contrast, while Africans constitute slightly more than 17% of the employed in the Province, more than 28% of low skilled persons employed are African. Coloureds are over-represented in both the skilled and low-skilled occupations.

**Table 3 Skills Composition of Western Cape Employment by Race, 2003**

	African	Coloured	White
High Skilled	6,4	38,3	53,7
Skilled	15,2	64,4	19,7
Low Skilled	28,4	69,4	2,2
Total	17,3	59,9	22,1

[Source: Statistics South Africa Labour Force Surveys, September 2003.]

The skills bias of employment growth is central to the issue of income inequality within the Province, both across and within race groups. The current racial composition of formal employment by skill category indicates substantial educational inequalities and racial stratification of occupations. While a key focus of the Human Resource Development Strategy, this trend is not an easy one to address in the short term.

For the immediate future, then, the supply of skills is likely to reflect these racial imbalances, though less harshly as time elapses. As skill compositions begin to reflect a more equitable demographic representation, we are likely to see a transition in demographic representations in occupational classes. This will have a definite impact on income inequality in the Western Cape, although employment growth is required across the skills spectrum and particularly amongst less skilled occupations if inequality levels are to be reduced via the labour market.

### **Informal sector**

The informal sector has been credited with creating a substantial proportion of all new jobs in the South African economy since the early 1990s. Unfortunately, the informal sector is notoriously difficult to quantify.

Based on data, it appears that around 9% of all Western Cape jobs are to be found in the informal sector, a proportion that is substantially lower than one-quarter of all jobs for the country as a whole. Although the proportion declined from around 14% in 2000, the actual figures are not statistically different from each other and it is therefore not possible to say for certain that the informal sector has declined over the period.

The informal sector's activities are varied and range from manufacturing to roadside retail to subsistence agriculture. By 2003, the informal sector nationally employed 2,2 million workers or roughly 20% of total employment in South Africa. In the Western Cape, the informal sector is small relative to the rest of the country, accounting for only 9.3% of Provincial employment or 161 000 workers.

Africans and Coloureds dominate the Provincial informal sector. Each group accounts for almost two-fifths of employment. Approximately 31 000 Whites are engaged in informal sector activities and in 2003 represented around 19% of informal sector employment.

The nature of the activities engaged in seems differentiated by race if the skills distribution is considered. The bulk of African informal sector employment is low-skilled (57%) with one-third in skilled occupations. For Coloureds, skilled workers dominate the skills distribution (50%) with nearly two-fifths being low-skilled. In contrast, while the relatively few Whites are engaged in the informal sector, those who are, tend to be engaged in high-skilled occupations: two-thirds of White informal sector workers are high-skilled. African and Coloured informal sector workers are, therefore, likely to be engaged in relatively low productivity, low paying activities.

Comparisons of the informal sector remuneration structure and that of the formal sector reveal, as expected, that informal sector employment is significantly lower paying than formal sector employment. For example, around 20% of formal sector workers, who reported their incomes in 2000, earned up to R12 000 per annum, compared to around 60 per cent of informal sector workers.

### **The small business sector**

Looking at trends in the SMME sector, it is believed that there are between 1,8-million and 2,6-million actively trading small businesses in South Africa. Of the formal sector SMMEs, approximately 46 percent are located in Gauteng and 18 percent in the Western Cape.

It is estimated that there are around 336 000 owner-managers in the Western Cape in 2003, who are starting or running 189 000 businesses. Established businesses are in the minority (23 000), representing 12% of businesses in the province, while 100 000 (53%) are start-ups and 67 000 (35%) are new businesses.

The contribution of SMMEs to overall employment is considerable and, excluding owner-managers, SMMEs account for 21% of provincial employment. This proportion nearly doubles to 40% if owner-managers are included. Apart from the owner-managers, new businesses employ 2,3 people on average nationally and 2,4 people on average in the Western Cape.

Key areas of policy concern in the SMME sector relate to the need to encourage individuals to establish small businesses and raise the rate of participation in this sector. The Province's Human Resource Development Strategy is critical in this regard, helping to foster entrepreneurial talents and assisting individuals in identifying opportunities.

Secondly, the big difference between established businesses on the one hand and new and start-up businesses on the other in terms of employment, illustrate the importance of ensuring that younger businesses reach the established phase of development.

Thirdly, not only is participation in the SMME sector uneven across gender and race groups, but females and Africans are more likely than others to engage in necessity-motivated business activities. Lower participation in the sector by females and Africans must be seen in the light of higher unemployment rates for these groups in the Province and their participation in small business activities ought to be promoted.

## Equity and income distribution scenarios: Analysing inequality and poverty

### Equity and development

Equity and development are powerful concepts. Understanding how equity is measured, the factors that drive changing distributions, and those public interventions that enhance these, is critical for understanding the dynamics of a shared growth and development path.

The challenge is particularly true for South Africa where inequality is particularly stark; the richest tenth of the South African population enjoy consumption per person almost 70 times that of the poorest tenth. The picture is alarmingly similar at provincial and local level.

The message is that recent economic gains have not been equitably spread and have not made significant inroads into poverty rates.

### Measuring equity and inequality

The *Gini coefficient* is the most commonly reported measure of inequality, and is often used to compare income inequality across regions, countries and over time. Measured between the value of zero (depicting a perfectly equal society) and one (complete inequality), Gini coefficients in the range of 0,40 to 0,45 are generally seen to represent intermediate levels of inequality and those exceeding 0,45 regarded as high.

**Table 4 Comparison of selected middle income countries**

	Thailand	South Africa	Brazil	Malaysia	Venezuela	Poland
Gross National Income per capita US\$ (2002)	1980	2600	2850	3540	4090	4570
Gini Coefficient	41.4	+60.0*	60.7	49.2	49.5	31.6
Share of income of poorest 20%	6.1	2.8*	2.2	4.4	3	7.8

[Source: 2003 World Development Report and \*from Borat et al (2001):22]

Gini coefficients move extremely slowly over time. Even fairly rapid change in the income ranking of certain individuals or households can coincide with surprisingly little change in the overall income distribution if these changes occur at both ends of the income distribution and hence cancel each other out. For instance, income distribution patterns will widen if those at the higher end of the income spectrum improve their prospects more than those at the lower end of the income scale.

### Inequality in South Africa and the Western Cape

Inequality in South Africa is exceptionally high, and if anything, has worsened from 1995 to 2000<sup>1</sup>. Use of Gini coefficient analysis in this respect, however should be interpreted with care.

Gini coefficients may be calculated according to different definitions using income or expenditure, at the household level or the individual level. It is essential that comparisons of inequality are undertaken on the basis of identical definitions, particularly if comparisons are to be made over time.

<sup>1</sup> The data used for the poverty and inequality analysis in this review comes from the Income and Expenditure Surveys of 1995 and 2000 (IES 1995 and IES 2000), carried out by Statistics South Africa.

Table 5 shows the range of Gini coefficients calculated using the income and expenditure surveys of 1995 and 2000. The disparities between the different measures highlight the need for consistency in methodology. They also serve to emphasize that it is the general level and direction of change that should be interpreted, rather than the absolute values.

**Table 5 Gini coefficients calculated according to different parameters using the Income and Expenditure Surveys 1995 and 2000**

Study	Total Household Income or Expenditure			
	1995		2000	
	Income	Expenditure	Income	Expenditure
Household level				
Fedderke, Manga & Pirouz (2003)	0.58	0.59	0.62	0.59
Statistics South Africa (2002)	0.56	-	0.57	-
Household level	Per Capita household Income and Expenditure			
Lam & Leibbrandt (2003)*	0.64	-	0.67	-
Individual Level	Per Capita household Income and Expenditure			
Fedderke, Manga & Pirouz (2003)	0.66	0.66	0.69	0.67
Poswell (2004)	-	0.639	-	0.682
Hoogeveen & Özler (2004) – “Core Consumption”	-	0.565	-	0.577

Note: \* Household income per capita with one observation included per household

The 2005 *PER&O* analysis considers individuals and uses disposable household per capita as the unit of analysis in computing Gini coefficients. In such analysis income inequality shows an increase from 0,64 in 1995 to 0,68 in 2000. Irrespective of data concerns in such analysis, the trend (rather than the absolute value of the measure) is consistent with the majority of studies examining inequality in South Africa over the same time period.

Calculating Gini Coefficients by province for 1995 and 2000 shows that inequality has increased across the board. In relation to other provinces, the Western Cape, in 1995, was the third least unequal province with a Gini Coefficient of 0,584, following Mpumalanga (0,582) and Gauteng (0,545), and in 2000 the least unequal with a Gini Coefficient of 0,616.

**Table 6 Gini Coefficients by Province, 1995 and 2000**

Province	Gini 1995	Gini 2000
Western Cape	0.584	0.616
Eastern Cape	0.648	0.663
Northern Cape	0.647	0.658
Free State	0.659	0.696
Kwazulu-Natal	0.625	0.684
North West	0.629	0.658
Gauteng	0.545	0.629
Mpumalanga	0.582	0.626
Limpopo	0.625	0.624
National	0.639	0.682

[Source: Income and Expenditure Surveys 1995 and 2000. Author's own calculations]

When considering within race inequality, the same pattern holds for the Province as for the nation as a whole, being one of rising inequality from 1995 to 2000. Inequality appears to have increased for all races, with Africans (a Gini coefficient of 0,515 in 1995 and 0,541 in 2000) and then Coloureds (0,439 in 1995 and 0,494 in 2000) experiencing the highest levels within race.

Complementary inequality measurement tools show an increase in the 'within race' contribution over the period for the Western Cape (the latter reading 52.9% in 1995, compared to 58.8% in 2000).

These results infer that it is 'within race group' rather than 'between race group' inequality that is boosting inequality measurements at the provincial level.

A deepening of poverty at the lower end and/or upward earnings mobility of those at the top end would serve to widen the distribution and is the likely reason for this result. Indeed, with labour market earnings being the key driver of inequality in South Africa, rising unemployment coupled with improvement in average real earnings in the Western Cape would be expected to lead to a widening of the income distribution.

This means that Gini Coefficient and/or complementary inequality analysis should be carefully interpreted as there are many causal factors to rising inequality that may or may not be the result of increased poverty levels.

### **Asset inequality in South Africa and the Western Cape**

Turning to assets, we see that asset equality is attained in respect of access to good basic services and dwellings (water, sanitation, energy, refuse removal, and housing) and social services (health care, education, skill development and shelter).

These non-income dimensions of welfare are often notably correlated with income and consumption levels, drawing a link between income inequality and asset inequality concerns.

Most public services are therefore targeted at improving poor people's capabilities in respect of enhancing access to quality schooling and skill development, health care services, clean and safe water, sanitation facilities and housing. These are often called 'social wage goods'.

Looking at basic service access indicators, we see that the urban nature of the Western Cape facilitates extensive access to basic services with 95% of households having access to piped water, 86% to a flush toilet, 87% to refuse removal and 87% to electricity for lighting purposes. The Western Cape's key failing is in respect of housing, where 80 per cent of dwellings are formal and 16% are informal.

In respect of access to social services, we see that the Western Cape performs well in terms of school attendance rates and average educational attainment. The key concern, however, is the high dropout rate of learners after Grade 8, reducing secondary school completion rates. Only 45% to 52% of learners who enrol in grade 1 reach grade 12.

Looking at census data and combining income and access to basic and social services data shows that it is the poorest who have experienced the greatest gains in terms of service delivery improvements in the Province.

### **Poverty**

Moving on, we see that there is an inextricable relationship between equity and inequalities in respect of income, assets and spatial or geographic location and poverty – the causal direction of which is intertwined.

This places poverty – in its many faces and dimensions – at the intermingling of income, asset and spatial inequality. As such, poverty describes a state of deprivation that prevents an individual from attaining some minimum "socially acceptable" standard of living. This 'state of deprivation' can therefore be measured in a number of ways and according to various approaches.

### **Measuring income poverty**

That said, one of the most intractable ways of measuring income poverty for a country is the use of a *national poverty line* – constructed to indicate the minimum amount of money required to meet the cost of an individual's basic needs or that of a household. The monetary amount includes a food and non-food component. If an individual (or household) earns or spends less than the poverty line amount, s(he) (or the household) is deemed to be poor.

The extent of absolute poverty, or the *poverty rate*, is then measured as the proportion of the population that falls below the national poverty line. The measure is also referred to as the *poverty headcount*. The depth of poverty may also be measured by summing the distance from the poverty line of all those who are poor, known as the *poverty gap*.

South Africa does not yet have an official national poverty line, although recent events suggest that Statistics South Africa is moving towards developing one in the near future. Despite the lack of an official national poverty line, recent academic efforts calculate a lower bound poverty line of R322 per capita per month and an upper bound of R593 per capita in 2000 prices. A further addition is the value of R174 per capita per month as equivalent to the internationally used 'Two (US) Dollar a day' poverty line.



## Poverty in SA and the Western Cape

Measured in any way, income poverty in South Africa has not improved between 1995 and 2000<sup>2</sup>; it has in fact deteriorated. Taking a low poverty line of R174 per capita per month, 31% of South Africans were poor in 1995. By 2000 this had risen to 38%.

Poverty gap measurement shows a similar picture. In 1995 the spending of the poor fell on average 12% below the poverty line of R174 per capita per month. In 2000, this situation had further exacerbated, with spending of the poor falling on average 16% below the poverty line. Not only have the numbers of poor people risen, but the poor were faring worse in 2000 than they were in 1995!

**Table 7 National and Western Cape Poverty Levels, 1995 and 2000**

	1995		2000	
	Headcount (Poverty Rate)	Poverty Gap	Headcount (Poverty Rate)	Poverty Gap
<b>National</b>				
R174 per month	0.31	0.12	0.38	0.16
R322 per month	0.52	0.26	0.58	0.31
<b>Western Cape</b>				
R174 per month	0.09	0.02	0.08	0.03
R322 per month	0.29	0.10	0.28	0.10

[Source: Income and Expenditure Surveys 1995 and 2000. Author's calculations in upcoming 2005 PER&O]

Note: The poverty line of R322 per capita per month in 2000 prices is the lower bound national poverty line calculated by Hoogeveen & Özler (2004). The R174 per month in 2000 prices is the value they compute as equivalent to the Two Dollar a day poverty line generally used for international comparisons.

The Western Cape's performance is pleasingly different, although the aggregate view masks worrying trends in poverty pockets. For example, if we take an extremely low poverty line of R100 per capita per month, poverty in the Province increased marginally from 1995 to 2000. Taking a poverty line of R174 per capita per month, we see that an improvement in the poverty rate from nine to eight per cent, although the poverty gap deteriorated from two to three per cent. At the upper bound of R322 per capita per month, there also seems to be a slight decline in the Western Cape's poverty rate from 29% to 28%.

Notwithstanding the Western Cape's positive performance relative to the national picture, at 28% of the population, poverty is still a pervasive problem for the Province, and given larger population numbers, this also means increased numbers of poor people despite the marginal rate improvement.

In terms of racial groupings, at the national level, Africans and Asians at the lower end of the income distribution are doing worse than in 1995, while the performance of Whites is stable. There has been little change in the welfare of the poorest Coloureds, who fare similarly in both periods at the low expenditure levels, but perform noticeable better above the R300 per capita per month level.

The racial pattern of dominance holds in the Western Cape, with Whites faring far better than Asians, who do better than Coloureds, who in turn outperform Africans. Looking at each group in turn, we see that Whites appear to be doing better in 2000 at nearly all levels of income, with their performance in the Western Cape surpassing the national trend. Interestingly, Africans in the Western Cape fare similarly in both periods – they are not experiencing increased poverty at the lower end, but are also not enjoying greater gains at the top end.

Groups of concern are Coloureds and Africans. Even at the extremely low poverty line of R174 per capita per month, 17% of Africans in the Western Cape were poor in 2000. At the same level, 8% of the Coloured population was said to be poor. At the R322 per capita per month mark, an alarmingly high 48% of Africans were poor in 1995, rising to 53% in 2000. At this level, one in three Coloured people in the Province was classified as poor in 1995. This ratio drops impressively over the five-year period to 2000, although at one in four, still remains of concern.

### Access poverty

Taking a closer look at asset poverty, we draw attention to Provincial performance in respect of socio-economic or human development indicators. As noted previously, although children have good schooling attendance up to age 15, more than half of children do not make it to grade 12 to write their final school leaving examinations. Furthermore, of those that do write their final exams, 12.5% in the Province fail, and only 26% pass with an endorsement. Mathematics and science pass rates are even more dismal.

<sup>2</sup> The data used is drawn from Statistics SA Income and Expenditure Survey (IES), the most recent of which is 2000.

Looking at health indicators, we see that poor health performance is evident when looking at life expectancy at birth. At 59.3 years for men and 66.1 for women, the Western Cape performs above national but far below comparable middle-income developing countries. These trends are closely related to the impact of the HIV/Aids epidemic both nationally and Provincially.

The two cases in which the Western Cape performs worse than national averages are prevalence of smoking amongst the youth and incidence of tuberculosis.

Crime statistics in the Western Cape are even more shocking. The murder rate of 59,9 per 100 000 people is exceptionally high and the worst of all the provinces. Burglaries at residential premises are almost double the national average, and reported child abuse is even more than twice the national average.

#### **A backdrop to Budget 2005/06**

An overview of the economic environment in the Province gives us much to digest. We considered the economic outlook for the Western Cape over the next three years, examined the Province' sectoral growth and employment trends and prospects, reviewed provincial labour market and remuneration performance, and highlighted the Province's challenges in respect of equity and development prospects.

Given limited resources, the *2005 Budget* does not try to match resource allocations to all the challenges posed in the above analyses. Rather, it offers an allocation mix that aligns to the social and economic goals of iKapa Elihlumayo, thereby planting the seeds for shared growth and development in the Western Cape over time.

As we mentioned above, the Western Cape policy framework is based on the parameters provided by the national policy framework as well as the socio-economic imperatives that derive from a scan of the environment. We describe the Western Cape response to these inputs in the next section.

### **4. iKapa Elihlumayo: The Western Cape Policy Framework**

The eight strategies in the iKapa Elihlumayo strategy were announced by the Provincial Government in the 2003 Western Cape Medium Term Budget Policy Statement. Since then the strategies have been developed to a great degree of finality. In February 2005 drafts of all the strategies were presented to Cabinet and reviewed in depth. Final versions of the strategies will be presented to Cabinet in June 2005. After that date strategies will be reviewed and revised as it becomes necessary.

After their initial conceptualisation, the strategies have been organised as follows:

- Improved and more accommodating human relations: This pillar includes the Internal and External Social Capital Formation Strategies;
- Economic and spatial improvements: This pillar includes the Provincial Spatial Development Framework (PSDF), Microeconomic Development Strategy (MEDS) and Strategic Infrastructure Plan (SIP);
- Building knowledge and skills: This pillar consists of the internal and external HRD strategies; and
- Institutional improvements: This last pillar consists of the Improved Financial Governance, Communication and Coordination as well as the Municipal – Provincial interface strategies.

The four pillars are very closely aligned with the policy priorities of national government. As is the case with the three-point framework presented by President Mbeki, the emphasis in the Western Cape is also on improved economic growth and participation, social cohesion and social service provision to the poor. In both cases improving the capacity and efficiency of the state to deliver on these goals also forms a key component of the development approach.

The pinnacle of the iKapa Elihlumayo strategies can be found in the Economic and Spatial Improvement pillar of which the goal is to ensure sustainable economic growth, employment and settlement patterns in the Province. Without greater levels of employment and economic growth the iKapa Elihlumayo will be no more than an extended programme of social service delivery. As we have seen in recent years, such service delivery on its own is probably not sustainable in the Western Cape.

Permanent improvements of the living conditions of the poor will therefore depend on a significant increase in the levels of growth in the Province. The 'shared growth' model espoused by the Premier will however only become possible if greater levels of economic participation accompany such increased growth. The bulk of any increase in economic participation is likely to take the form of employment, but an important support to this 'shared growth' model would be increased levels of entrepreneurship and the changes in ownership patterns that this would bring about.

Entrepreneurship and increased employment would be heavily dependent on the appropriate levels of education and training attainment in the Province. The external Human Resource Development Strategy targets this overall goal. The strategy also has an internal component that will target the training and skills formation of the 68 000 people employed by the Provincial Government.

A further pre-condition for sustainable growth would be the expansion and maintenance of the appropriate infrastructure network (to be driven by the Strategic Infrastructure Plan) and rational spatial distribution of economic, settlement and service delivery patterns in the Province (through the Provincial Spatial Development Framework).

While the ultimate goal, the economic gains described above are only possible in societies that show a reasonable level of health in the broadest sense of the word. In the words of Harvard economist Dani Rodrik, "Countries that experienced the sharpest drops in growth after 1975 were those with divided societies and with weak institutions of conflict management". A necessary precondition of such improvements in growth and participation is therefore improvements in the levels of social capital in the Province. This is the goal of the 'Improved human relations and tolerance' pillar of iKapa.

This pillar is made up of the internal and external Social Capital Formation Strategies. The specific roles of the Department of Social Services and Poverty Alleviation, Health, Community Safety and Cultural Affairs and Sport in the external strategy are discussed in detail below. The broad goals of this strategy would however be to improve societal cohesion, to improve the access of the poor to government services, to improve the health status of especially the poor and to reduce the levels of criminal activity in the Province.

The internal Social Capital Formation Strategy will seek to improve the way in which civil servants relate to each other as well as to the public, to instill a sense of ownership and loyalty, to improve work processes, manage diversity, and improve the overall effectiveness and efficiency of operations of the Provincial Government.

All of the above strategies will be supported by three strategies that will seek to improve the institutional environment of governance in the Province.

The role of each of the Provincial Government Departments in these strategies are discussed in greater detail in Section 8 below. We also discuss how budget allocation patterns have shifted to give impetus to the strategic reorientation of the Province.

## **5. The 2005 Budget Process**

As was the case in 2004/05, the chief goal of the 2005/06 provincial budget process is to translate the derived provincial priorities into departmental budgets as completely as possible. During the year the iKapa Elihlumayo lead strategies reached a greater level of finality and started influencing the resource allocation process much more closely than was possible before.

More broadly the Provincial and National Constitutions, the Public Finance Management Act and the Intergovernmental Fiscal Relations Act set the parameters of intergovernmental fiscal relations between provincial and national government in South Africa. Within these parameters the process followed in formulating the 2005/06 provincial budget followed two fairly similar cycles. In the following paragraphs these cycles are briefly discussed.

The first cycle started when the Provincial Treasury requested departments to draft budgets and strategic plans on the basis of provincial and national government policies and using the year two allocation of Budget 2004 as a baseline. These drafts were submitted in September 2004 and assessed by the Provincial Treasury through a series of bilateral meetings with departments.

This year these assessments were again informed and supported by a series of reviews prepared beforehand by the Treasury. These included a Provincial Economic Review and Outlook, a Service Delivery Review, a Review of Local Government and a Review of Financial Governance, (including internal audit, accounting and asset management). The results of the assessments as well as these reviews were consolidated into a Provincial Medium Term Budget Policy Statement (MTBPS 2005- 2008) that included medium term policy objectives, the projected available fiscal resources and preliminary priority allocations. The first cycle was brought to a close when the MTBPS 2005-2008 was accepted by the Provincial Cabinet and tabled in the Provincial Parliament during November 2004.

The second cycle started when departments were requested to refine their draft budgets and strategic plans based on the policy directions and preliminary allocations provided in the MTBPS 2005 - 2008. These revised departmental budgets and strategic plans were submitted in December 2004 and assessed in January 2005. The second round of assessments was collectively based on a benchmark exercise conducted by the National Treasury and fresh efficiency and efficacy reports compiled by the Provincial Treasury. The objective of this assessment exercise was to determine the credibility of departmental budgets, links between the budgets and strategic plans, and whether allocations reflected national government priorities and the objectives of iKapa Elihlumayo. After these assessments were conducted the reports were amended and apart from serving as a basis for the continuous assessment of departmental performance during the course of the year, directed the final budget proposals to the Executive.

While the first round of allocations largely served to give effect to the policy priorities of the provincial government, the second round allowed adjustments to consolidate policy priorities, but also to take into account new pressures on departmental budgets deriving from changes in national policy as well as increased demands for service delivery.

This budget process ran in tandem with the finalisation of the iKapa Elihlumayo lead strategies. Drafts were tabled and discussed at a Provincial Cabinet Lekgotla on 8 and 9 February 2005 and subsequently incorporated in departmental Budget Statements 2. The lead strategies are to be finalised and ratified by the Provincial Cabinet in June 2005.

As the strategies come to the point of finalisation, the monitoring of the implementation becomes more important. Apart from departments' own internal monitoring and evaluation processes, the implementation of these strategies will be monitored on a quarterly basis through mutually reinforcing processes led by the Department of the Premier and the Provincial Treasury. The Treasury process will be built around the two series of MTEC hearings in September 2005 and January 2006. These hearings will be supplemented by more ongoing and sustained interaction and collaboration with departments. This process is also linked to the National Treasury initiative to include non-financial information in the quarterly IYM reports. Further information on the process to be followed by the Department of the Premier will be made available in due course.

## 6. Receipts

The first decade of democracy saw macroeconomic reform and economic development initiatives being dealt with at the national level of government with social welfare and basic service delivery being the mainstay of provincial and local government. Provincial spending on social services, largely mandated by the nationally defined policies, tended to push out spending on economic services. This is largely because provincial resources were insufficient to also cater for economic services.

This situation persists today. While unconditional, a substantial portion of the Provincial Equitable Share (PES), which contributes an average of 58.6% to the Western Cape's revenue over the new MTEF, is tied up in health and education provision. Excluding social assistance grant provision, these votes currently absorb 30.1% and 51.4% of equitable share respectively. Conditional grants too give little space to provide economic services to the Province as expenditure conditions direct the funds mostly toward social services.

These transfers from national government remain by far the main revenue source for the Western Cape over the MTEF, where jointly they constitute 92.9% of the Provincial budget in 2004/05, falling slightly to 92.8% in 2007/08. The centralization of the Social Security function results in a shift in allocations between the equitable share and the conditional grants, as the temporary creation of two conditional grants for the administration of this function have primarily been funded through the equitable share (see below for more details). Thus, conditional grants rise as a share of revenue (from 13.8% in 2004/05 to 33.9% in 2007/08), while the equitable share declines (from 79.1% in 2004/05 to 58.9% in 2007/08). Over this period, conditional grants grow at an average annual nominal (real) rate of 46.3% (39.3%).

**Table 8 Provincial receipts as a percentage of total provincial revenue**

Receipts	2004/05 %	2005/06 %	2006/07 %	2007/08 %
Equitable Share	79.1	<b>58.4</b>	58.5	58.9
Conditional Grants	13.8	<b>33.1</b>	32.8	33.9
Transfers from National	92.9	<b>91.5</b>	91.3	92.8
Own Revenue	7.1	<b>6.6</b>	6.1	6.0
Financing Reserve	0.0	<b>1.9</b>	2.6	1.2
<b>Total provincial receipts</b>	100.0	<b>100.0</b>	100.0	100.0

A key option for the Province to increase the discretion it enjoys over its economic services would be for it to increase its own revenue takings. As the MTEF currently stands, own revenue is projected to decrease at a real annual average rate of 2.5%. This translates into a nominal increase of 2.4%, with own revenues share of total provincial revenue over the same period decreasing from 7.1% in 2004/05 to 6.0% in 2007/08.

The Western Cape has given a strong indication of its desire for increased responsibility for regional economic development and acceptance of contingent fiscal responsibilities and political accountability that go with raising more own revenue. The planned introduction of the fuel levy in 2006/07 as well as further research currently underway examining the feasibility of other sources support this indication.

The enhancement of own revenue instruments is not just important for providing additional resources to the Province for enhanced economic service delivery. Revenue instruments can in themselves, also be important developmental policy instruments. To play this role they need to become more sophisticated and targeted.

If national policy is seeking to promote the provinces' developmental role, the funding arrangements for provinces i.e. the manner in which the provinces' vertical and horizontal share of nationally collected revenue is determined, as well as province's revenue raising powers, might have to be reviewed.

**Table 9 Summary of provincial receipts**

Receipts R'000	Outcome						Medium-term estimate			
							% Change from Revised estimate			
	Audited 2001/02	Audited 2002/03	Audited 2003/04	Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	2005/06	2004/05	2006/07	2007/08
Transfer receipts from national	12 085 862	13 313 388	15 510 768	16 883 971	17 267 519	17 267 519	18 921 514	9.58	20 436 108	22 072 187
Equitable share	9 869 840	11 294 254	13 219 029	14 319 814	14 694 066	14 694 066	12 072 470	( 17.84)	13 098 806	14 014 803
Conditional grants	2 216 022	2 019 134	2 291 739	2 564 157	2 573 453	2 573 453	6 849 044	166.14	7 337 302	8 057 384
Financing	6 260			366 169	222 585		386 039		582 656	290 294
Total transfer receipts from National <sup>Note</sup>	12 085 862	13 319 648	15 510 768	17 250 140	17 490 104	17 267 519	19 307 553	11.81	21 018 764	22 362 481
Provincial own receipts										
Tax receipts	569 793	665 117	796 968	771 293	791 293	841 351	922 565	9.65	958 426	993 341
Sale of goods and services other than capital assets	155 980	169 079	223 297	191 440	203 208	207 133	225 087	8.67	235 428	242 266
Transfers received	10 999	9 696	6 782	8 901	43 925	43 929	62 795	42.95	26 624	17 956
Fines, penalties and forfeits	1 807	2 349	1 514	350	350	564	350	( 37.94)	350	350
Interest, dividends and rent on land	190 029	256 159	271 894	94 790	94 790	145 664	114 585	( 21.34)	103 847	114 530
Sale of capital assets	2 582	3 784	7 504	24 020	40 714	40 729	24 046	( 40.96)	24 049	24 049
Financial transactions in assets and liabilities	23 780	9 239	22 120	3 938	6 611	38 973	23 418	( 39.91)	23 418	23 418
Total provincial own receipts	954 970	1 115 423	1 330 079	1 094 732	1 180 891	1 318 343	1 372 846	4.13	1 372 142	1 415 910
Total provincial receipts	13 040 832	14 435 071	16 840 847	18 344 872	18 670 995	18 585 862	20 680 399	11.27	22 390 906	23 778 391

Note: Including provincial financing.

## 6.1 The provincial equitable share (PES)

The PES, the Western Cape's principal revenue source, contributes an average of 58.6% to the revenue envelope of the Province over the MTEF. This is a substantial drop from that of 2004/05 where the contribution was 79.1%. The Western Cape Province's equitable share decreases from R14 694,1 million in 2004/05 to R12 072,5 million in 2005/06 and R14 014,8 million in 2007/08. As explained above, the sudden drop in equitable share revenue is a direct result of the arrangements put in place to transfer the Social Security function from provincial to national government.

The centralization of the Social Security function is governed by the South African Social Assistance Act, 2004 (Act No.13 of 2004) and the South African Social Security Agency (SASSA) Act, 2004 (Act No. 9 2004) which establishes the Social Grant Agency as a legal entity to administer grants on behalf of national government. The Agency will assume operations in a phased manner from 1 April 2005, with the eventual transfer of the function to national government once it becomes fully operational. As an interim measure, provinces will continue to administer the function via two conditional grants, the Social Assistance and the Administration of Social Assistance Grants, funding for which has been obtained from the PES (24% of which has been top sliced and transferred to the conditional grants), the Child Support Extension Grant and additional funding provided by National. This is beneficial to provinces that allotted in excess of 24% of equitable share allocations to social security as the unattached amount may now be appropriated as provinces see fit. Such is the case in the Western Cape where total gains before factoring in the impact of the new more redistributive PES formula amount to R203,0 million in 2005/06 and R410,0 million in 2006/07.

The centralization of the Social Security function, as well as concerns about the backward looking nature of data, and the specifics of some of the components used, occasioned a review of the PES formula in 2004/05. The review has resulted in the elimination of certain components, the introduction of new ones and the reweighing of components. The changes are summarized in the table below.

**Table 10 Revisions to the PES formula**

Component	Revised		2004/05	
	Weight	Share	Weight	Share
	%	%	%	%
Education	51	8.21	41	8.24
Health	26	9.36	19	8.91
Welfare			18	8.81
Basic	14	10.16	7	10.09
Economic Activity	1	14.24	7	14.24
Backlogs			3	3.63
Institutional	5	11.11	5	11.11
Poverty	3	3.82		
<b>Overall Share</b>		8.86		9.03

The new formula consists of the following components. The percentage weight of the component is given brackets:

- Education (51%) based on the size of the school-age population and the average number of learners enrolled in public ordinary schools for the past three years (equally weighted);
- Health (26%) based on the proportion of the population with and without medical aid insurance (with those without medical aid weighted at four times that of those with medical aid);
- Basic component (14%) derived from each province's share of the total national population;
- Institutional component (5%) divided equally between the provinces, providing for the administration of the Province;
- Economic activity component (1%) based on Gross Domestic Product by Region data; and
- The newly introduced poverty component (3%) which facilitates a measure of redistribution in the formula, taking account of the indirect effects of poverty on provincial expenditure.

More details of the revision and the rationale for them are bulleted below.

- *The removal of the welfare component:* National government is in the process of establishing the SASSA, which will be responsible for the payment of social security grants. The welfare component therefore no longer forms part of the PES formula and has been converted into a conditional grant while the SASSA is being established.
- *The removal of the backlog component:* Spending trends tend to suggest that provinces have increased capital spending in education and that these backlogs have been significantly reduced.
- *The education component:* The component is revised to reflect average historical non-conditional grant expenditure for the past three years used as a proxy for the component weight; both school-age cohort and school-enrolment data are retained as sub components in the formula in particular to smooth the introduction of Grade R into the general schooling system; and school-age cohort and enrolment data are now used in equal weighting.
- *The health component:* The component is revised using the medical aid/non-medical aid distinction as a proxy for the demand for health services in a ratio of 1:4 as this appears to be closely correlated to the usage ratio captured in the General Household Survey. The weights of the health component are adjusted to reflect actual health spending patterns.
- *The economic activity component:* The component is revised reducing the weight to 1% as provinces have been given in principle access to additional taxation revenue and the lower weight reduces the counter effect of the component on the redistributive thrust of the formula.
- *The inclusion of a new poverty component:* The exclusion of the welfare component from the formula diminishes the redistributive effects of the formula. An explicit "redistributive" or poverty component has been added to the formula aimed at reimbursing poor provinces for the cost of providing services to their populations, which is higher than that of wealthier provinces.

As the table above reflects, the revised formula results in a shift in the relative portion of the global Provincial Equity Share that the Western Cape Province receives. The portion decreases from a target of 9.03% (which shifted from previous target shares as to the incorporation of Census 2001) to 8.86%. Originally the 9.03% was to come fully into effect in 2006/07. According to the current arrangements, the 8.86% target is to come into effect in 2007/08. Although the Western Cape retains its share of 8.95% in the revised formula for 2005/06, by 2007/08 its share of the total PES is to diminish by 0.17 percentage points.

In addition to the formula review, equitable share allocations have been revised upward in order to address fiscal pressures of provinces. These funds were earmarked for social services, especially schools, primary health care services and hospitals.

Primary health care, which becomes an exclusive provincial function in the non-metro areas as of 1 April 2005, is financed through the equitable share. The manner in which the primary health care shares are allocated differs from that of the equitable share formula and the Western Cape receives 19.3% of these allocations, rather than the 8.9% of the PES.

The overall PES formula remains redistributive in nature, aiming to correct the significant social and economic inequities that informed its initial formulation. Questions can, however, be raised about whether the formula is compatible with South Africa's social and economic goals over the next ten years. In its revised form, it can be argued that the equitable share formula does not direct adequate resources to provinces to finance their developmental needs. This is of particular concern to those provinces that are economic growth centers as these provinces generate economic activity and therefore economic opportunities for many. These provinces however remain largely uncompensated in the equitable share formula for these developmental responsibilities and functions.

The debate on provincial development financing needs to be brought to the fore, in the context of the social and economic goals for the country over the next ten years, and the deliberation as to how these changes will play out in the financing mechanisms that resource agreed competencies at the sub-national level. In this sense it is critical that any allocation mechanism be forward looking and outcome directed, providing incentives to achieve the social and economic goals agreed upon at the political level.

As a result of the continued redistributive thrust of the equitable share and the transfer of the social security function from provincial to national government, the Western Cape's equitable share receipts decrease by R679,3 million over the MTEF from R14 694,1 million in 2004/05 to R14 014,8 million in 2007/08. Although when removing the impact of the social security function transfer from the equitable share, growth from this source increases at an average annual nominal (real) rate of 8.3% (3.2%) over the MTEF.

## **6.2 Conditional grants**

Conditional grants will play an increasingly important role in the budget of the Western Cape over the MTEF with their contribution to the revenue envelope increasing from 13.8% in 2004/05 to an average of 33.3% over the MTEF, as can be seen in Table 11.

This sharp rise is a result of the shift of the social security function from provincial to national government and the interim creation of the Social Assistance and the Administration of Social Assistance Grants. These grants are a temporary measure to be used to distribute the social security grants to beneficiaries while the South African Social Assistance Agency (SASSA) is being brought into being.

The 2005/06 financial year sees the combination of a number of pre-existing grants, the introduction of grants, shifts in the manner in which the pool of resources for certain grants is determined and shifts in the allocation mechanisms of certain grants. Within the Western Cape, the internal management of the health and education components of the Provincial Infrastructure Grant is to be transferred to the respective two departments. Details of these changes, as well as the growth trends related to the individual grants, are considered below by department.

**Table 11 Summary of conditional grants by grant**

Vote and grant R'000	Outcome			Main appro- piation Adjusted appro- piation Revised estimate			Medium-term estimate		
	Actual transfer 2001/02	Actual transfer 2002/03	Actual Transfer 2003/04				2005/06	2006/07	2007/08
<b>Vote 3: Provincial Treasury</b>	225 647								
Supplementary allocation	207 647								
Other	184 547								
Housing: Capacity building	1 100								
Transport Transition Act	1 000								
Health: Health Management	16 000								
Finance: Implementation of Public Finance Management Act	5 000								
Provincial Infrastructure: Flood Damage	18 000								
<b>Vote 5: Education</b>	65 400	82 987	101 880	96 064	96 064	96 064	106 562	122 012	143 456
Provincial infrastructure	18 750	24 053	36 326	48 904	48 904	48 904	55 229	61 829	80 263
Financial management and quality enhancement	16 827	18 037	18 519						
Early childhood development	1 659	4 187	6 952						
HIV and Aids (Lifeskills education) <sup>Note 1</sup>	5 017	11 376	9 518	10 543	10 543	10 543	11 198	11 870	12 464
Disaster management			70						
National school nutrition programme	23 147	25 334	30 495	36 617	36 617	36 617	40 135	48 313	50 729
<b>Vote 6: Health</b>	1 365 432	1 467 022	1 555 421	1 645 171	1 645 171	1 645 171	1 870 576	1 994 555	2 082 486
Provincial infrastructure	6 250	24 052	36 324	48 903	48 903	48 903	55 229	61 829	80 262
Hospital revitalisation	29 000	45 000	81 939	85 217	85 217	85 217	172 038	202 474	198 987
National tertiary services	1 011 436	1 047 438	1 076 724	1 104 087	1 104 087	1 104 087	1 214 684	1 272 640	1 322 744
Health professions training and development	308 776	316 364	314 696	327 210	327 210	327 210	323 278	323 278	339 442
Integrated nutrition programme	5 642	3 455	4 158	4 809	4 809	4 809	5 288		
Comprehensive HIV and Aids Health	4 328	11 713	24 204	57 962	57 962	57 962	82 451	115 670	121 454
Medico-legal			1 000						
Hospital management and quality improvement		19 000	16 376	16 983	16 983	16 983	17 608	18 664	19 597
<b>Vote 7: Social Services and Poverty Alleviation</b>	179 650	2 267	95 055	213 436	213 436	213 436	4 265 028	4 529 685	4 941 948
Financial management and improvement of social security system	642	1 200							
Child support extension			72 121	190 314	190 314	190 314			
Social Assistance Grants							4 002 671	4 251 501	4 639 629
Administration of Social Assistance Grants							236 234	250 839	273 738
Social security backlog	175 508								
HIV and Aids (community-based care)	1 000	1 067	2 900	3 088	3 088	3 088	6 089	6 109	6 283
Food emergency relief			20 034	20 034	20 034	20 034			
Integrated Social Development Services Grant							20 034	21 236	22 298
Disaster relief	2 500								
<b>Subtotal Conditional grants</b>	1 836 129	1 552 276	1 752 356	1 954 671	1 954 671	1 954 671	6 242 166	6 646 252	7 167 890

Note 1: Included in the 2004/05 (Adjusted appropriation) is an amount of R722 000 overspent in 2003/04.



**Table 11 Summary of conditional grants by grant (continued)**

Vote and grant R'000	Outcome						Medium-term estimate		
	Actual transfer 2001/02	Actual transfer 2002/03	Actual Transfer 2003/04	Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	2005/06	2006/07	2007/08
<b>Vote 8: Local government and housing</b>	354 491	417 453	460 803	483 903	483 903	483 903	466 113	533 733	652 362
Housing subsidy	325 861	378 860	423 282	446 035	446 035	446 035			
Integrated housing and human settlement development							456 740	533 733	652 362
Human resettlement and redevelopment	11 130	13 250	13 500	14 310	14 310	14 310	9 373		
Local government support	17 500	16 500							
Local government capacity building fund			20 714	20 050	20 050	20 050			
Provincial project management capacity for Municipal infrastructure (MIG) [previously CMIP]		8 843	3 307	3 508	3 508	3 508			
<b>Vote 9: Environmental affairs and development planning</b>			2 400						
Disaster damage			2 400						
<b>Vote 10: Transport and Public Works</b>	20 000	43 322	67 076	81 408	81 708	81 708	92 557	99 557	164 870
Provincial infrastructure <sup>Note 2</sup>	20 000	43 322	67 076	81 408	81 708	81 708	92 557	99 557	164 870
<b>Vote 11: Agriculture</b>	5 402	6 083	9 104	43 175	52 171	52 171	45 538	53 420	67 934
Land care programme: Poverty relief and infrastructure development	878	1 300	1 800	3 500	3 796	3 796	2 500	3 000	3 247
Drought relief/Agriculture disaster management grant					9 000	9 000			
Comprehensive Agriculture support programme				13 765	13 765	13 765	17 206	20 648	33 426
Provincial Infrastructure	4 524	4 783	7 304	25 910	25 610	25 610	25 832	29 772	31 261
<b>Vote 13: Cultural Affairs and Sport</b>				1 000	1 000	1 000	2 670	4 340	4 328
Mass sport and recreation participation programme				1 000	1 000	1 000	2 670	4 340	4 328
<b>Subtotal Conditional grants</b>	379 893	466 858	539 383	609 486	618 782	618 782	606 878	691 050	889 494
<b>Total Conditional grants</b>	2 216 022	2 019 134	2 291 739	2 564 157	2 573 453	2 573 453	6 849 044	7 337 302	8 057 384

Note 2: In 2005/06 an amount of R2,590 million will be added from PIG savings at vote 11 (compulsory savings from 2004/05).

## **Education**

The Western Cape's allocation of the National School Nutrition Programme Grant, previously referred to as the Primary School Nutrition Programme, grows consistently over the MTEF at an average annual nominal (real) rate of 11.5% (6.2%). The HIV and AIDS (Life Skills Education) Grant receives a minor boost as a result of the updating of allocation formula with Census 2001 data. The net impact for the Western Cape is an additional R70 million over the MTEF.

Extra Provincial Infrastructure Grant (PIG) allocations over the MTEF amount to R55,2 million in 2005/06, R61,8 million in 2006/07 and R80,3 million in 2007/08.

## **Health**

Health related grants constitute just over a quarter of total conditional grant allocations in the Western Cape in 2005/06. In 2005/06, the National Tertiary Services Grant (NTSG) makes the greatest contribution towards health grants at just over 66.9%, and a contribution of 17.2% of total Provincial grant allocations. National Treasury has allocated an additional R180,0 million nationally to the grant in each of the MTEF years. Of this additional national allocation, the Western Cape will receive R93,3 million in 2005/06, with its share declining to R84,0 million in 2006/07 and R74,6 million in 2007/08. The Western Cape's grant allocation increases from R1 104,1 million in 2004/05 to R1 214,7 million in 2005/06 and R1 322,7 million in 2007/08, an average annual nominal (real) growth rate of 6.2% (1.2%) over the MTEF. The NTSG augmentation is a compensation for under-allocations in previous years related to incorrect assumptions made by the National Department of Health regarding patient loads and the redistribution of demand for tertiary services between the provinces.

The Western Cape has also benefited from an initiative to redistribute funds for the Hospital Revitalisation Programme from provinces that have performed poorly on this grant to those that have performed well. An additional R247.8 million has been allocated to the Western Cape over the MTEF when compared with what was published in the 2004 Division of Revenue Act (DORA). This increases the grant allocations to the Province by 94.0% in 2005/06 and 75.1% and 63.9% in 2006/07 and 2007/08 respectively from the levels published in the 2004 DORA.

The Health Professions Training and Development Grant sees no major changes over the MTEF. The Western Cape's allocations remain unchanged at R323,3 million in 2005/06 and 2006/07, increasing to R339,4 million in 2007/08, a net average annual growth rate of 1.2%, compared to an average annual real decrease of 3.6% over the period. The Financial and Fiscal Commission is however currently reviewing the allocation mechanism of this grant.

The 2005/06 budget year sees the end of the Integrated Nutrition Programme after the Education Department assumed responsibility for the bulk of the grant in 2004/05 in the form of the National School Nutrition Programme Grant. The remainder of the function is subsumed into the Provincial Equitable Share from 2006/07.

## **Social Services and Poverty Alleviation**

The Social Assistance Grants, which will incorporate the Child Support Extension Grant, is introduced in 2005/06 as an interim measure as part of the process to shift the social security function from provincial to national government. Two grants have been created for the fulfillment of this function, the Social Assistance Grant, to be utilised for the payment of social security grants and the Administration of Social Assistance Grant to be used for the administration of the social security grants. Together these grants form the bulk of total conditional grant transfers from national to the Province contributing an average of 61.4% of these grant allocations over the MTEF.

The national pool of funds for these grants consists of a 24.0% top slice off the global PES pool, the original Child Support Extension Grant allocations and additional allocations as determined by National Treasury. Projected beneficiary numbers and growth rates over the MTEF, as agreed to by the provinces, have been used as a basis for splitting the Social Assistance Grant between provinces. Projected staff requirements are used as a basis for splitting the Administration of Social Assistance Grant pool.

The outcome is that the Western Cape receives R4 002,6 million, R4 251,5 million and R4 639,6 million in 2005/06, 2006/07 and 2007/08 respectively and an additional R761.0 million over the MTEF for administration purposes.

The Western Cape's share of the HIV and AIDS (Community Based Care) Grant has been boosted by an additional R8,1 million over the MTEF as a result of an increase to the national allocation for this grant. Final allocations for this grant to the Western Cape amount to R6,1 million in 2005/06, R6,1 million in 2006/07 and R6,3 million in 2007/08.

## **Local Government and Housing**

The incorporation of the Human Settlement and Redevelopment Grant into the Housing Grant will take effect from 1 April 2006, giving rise to the Integrated Housing and Redevelopment Grant. The consolidation of the two grants is aimed at streamlining housing delivery. The Human Settlement and Redevelopment Grant will, however, remain in place for 2005/06 so that outstanding commitments may be honoured. Resources in addition to those projected for each of the combining two grants are added to the newly created grant in 2006/07 and 2007/08.

The net effect on the Local Government and Housing Department is an increase of R3,8 million, R34,6 million and R3,9 million in 2005/06, 2006/07 and 2007/08 respectively. This will allow the Department to put more resources into amongst others the N2 development. The large spike in the middle year is caused by the allocation of an additional R400,0 million nationally to the grant in 2006/07. In 2007/08 the grant receives an additional R100,0 million.

### **Transport and Public Works**

As mentioned previously, part of the PIG previously allocated to Transport and Public Works is now transferred to the Departments of Health and Education. Transport and Public Work's share of the grant however increases consistently over the MTEF from a total R81,7 million in 2004/05 to R164,9 million in 2007/08. The 2007/08 allocation includes additional resources of R33,5 million, set aside expressly for the construction and maintenance of roads, being made to the Transport and Public Works Department in the outer year.

The Hospital Revitalisation Grant, previously managed by the Department of Transport and Public Works, will be managed by the Department of Health from 2005/06.

### **Agriculture**

Both the Comprehensive Agricultural Support Programme (CASP) and the Land Care Grant receive a boost in the outer year of the MTEF highlighting the emphasis placed on providing effective agricultural support to emerging farmers. The Western Cape's portion of the CASP, which receives an additional R11,7 million in 2007/08, is projected to grow considerably over the MTEF at an average annual nominal (real) growth rate of 36.4% (28.0%), increasing from R13,8 million in 2004/05 to R33,4 million in 2007/08.

Even with the increase to the Land Care Grant's allocation in the outer year, transfers are projected to decrease in real terms by 9.6% between 2004/05 and 2007/08.

The Department was allocated R9,0 million in 2004/05 to provide drought relief to farmers.

### **Cultural Affairs and Sport**

The Mass Sport and Recreation Participation Programme Grant, distributed equally between the provinces since its inception in 2004/05 will be allocated according to a formula as from 2007/08. The result is that the Western Cape's allocations, after increasing by an average nominal (real) rate of 108.3% (98.4%) per year between 2004/05 and 2006/07, decreases marginally by R12,000 in 2007/08.

## **6.3 Provincial own receipts (Own Revenue)**

Historically motor vehicle license fees, interest on bank balances, hospital fees and casino taxes constituted the largest portion of the Western Cape provincial own revenue basket. Taxes on Limited Gambling Machines (LGM) are emerging as an important source. Subsequent to the approval of the liquor policy by the Western Cape Cabinet, the liquor license tax will also become a significant source. A number of other sources are collectively significant, although individually quite minor.

Although own revenue grew by 4% in nominal terms between 2004/05 and 2005/06, in real terms it decreased by 0.8%. As a percentage of the total provincial revenue, own revenue is projected to constitute 7.1% in 2004/05 and 6.6% in 2005/06. However, over the medium term, the share of own revenue is expected to decline to 6.1% and 6.0% in 2006/07 and 2007/08, respectively. The real growth rates between 2005/06 and 2006/07 and 2007/08 are negative, at -4.8% and -1.7% respectively. These changes are discussed in details below.

**Table 12 Summary of provincial own receipts by vote**

Provincial department R'000	Outcome						Medium-term estimate			
	Audited 2001/02	Audited 2002/03	Audited 2003/04				Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	% Change from Revised estimate
				2005/06	2004/05	2006/07				2007/08
1. Department of the Premier	742	847	1 910	396	548	548	538	( 1.82)	538	538
2. Provincial Parliament	164	136	224	70	70	154	58	( 62.34)	58	58
3. Provincial Treasury	298 442	389 207	388 934	170 558	170 558	298 644	285 541	( 4.39)	281 907	300 899
4. Community Safety	472	335	2 402	367	375	1 515	518	( 65.81)	518	518
5. Education	17 550	17 093	15 585	13 440	13 440	13 440	18 640	38.69	18 900	19 174
6. Health	117 194	119 872	165 011	156 112	203 536	203 536	233 027	14.49	203 262	200 294
7. Social Services and Poverty Alleviation	5 694	6 688	18 212	7 260	7 260	21 276	7 260	( 65.88)	8 210	8 210
8. Local Government and Housing	400	1 691	28 474	25 090	25 090	18 579	25 090	35.04	25 090	25 090
9. Environmental Affairs and Development Planning	368	1 475	559	11	301	354	28	( 92.09)	58	88
10. Transport and Public Works	498 546	560 642	691 175	706 591	744 876	745 137	781 766	4.92	806 292	829 227
11. Agriculture	10 053	11 476	12 224	10 528	10 528	10 528	10 720	1.82	11 620	12 110
12. Economic Development	3 771	3 700	4 040	3 680	3 680	4 003	9 000	124.83	15 000	19 000
13. Cultural Affairs and Sport	1 574	2 261	1 329	629	629	629	660	4.93	689	704
Total provincial own receipts by Vote	954 970	1 115 423	1 330 079	1 094 732	1 180 891	1 318 343	1 372 846	4.13	1 372 142	1 415 910

**Motor vehicle license fees**

Motor vehicle license (MVL) fees are expected to escalate from R676,8 million in 2004/05 to R731,6 million in 2005/06, to R753,5 million in 2006/07 and R776,1 million in 2007/08. As a percentage of the total provincial own revenue, motor vehicle license fees increase from 51.3% in 2004/05 to 53.3% in 2005/06. In 2005/06, MVL tariffs will be not adjusted by the annual infrastructure inflation rate and thereafter kept constant over the medium term, until the proposed Provincial Fuel Levy Tax is implemented in 2006/07.

In the absence of MVL tariff increase, the positive projection for the fee takings is justified by the projection for growth in the motor vehicle population and planned improvement in collection practices. The vehicle population is relatively higher in the Western Cape because of higher per capita incomes compared to some other provinces. The Roads Infrastructure Branch has also improved collection through use of new software developed by the National Department of Transport on the National Traffic Information System (NaTIS). The Branch has also focussed on collecting unpaid motor vehicle license fees and penalties.

Further improvements in collection may flow from the finalization of Service Level Agreements (SLAs) between the Province and their collection agencies, the municipalities. The SLAs will focus on shortening the period between collection and the transferring of fees from the agencies to the Province, and recovering long standing amounts that have yet to be handed over to the Province.

**Casino taxes**

Casino taxes accounted for 11.2% (R147,1 million) of the total provincial own revenue in 2004/05, and its share of total revenue is projected to increase to 12.2% (R168,3 million) in 2005/06 and 12.8% (R176,2 million) in 2006/07 and 13.0% (184,5 million) in 2007/08. In real terms, casino taxes increased by 8.9% between 2004/05 and 2005/06, however, from 2006/07 to 2007/08, casino taxes are projected to decline in real terms at an average annual real rate of 0.3%.

A variety of factors such as unexpected increases in disposable income as a result of low interest and exchange rates and the stable economy, explain the real growth rate of casino taxes in the previous period. These factors are largely exogenously determined, and make it difficult for authorities to project casino tax revenue. Exogenous shocks may therefore dramatically reverse the current situation. In lieu of this uncertainty, a conservative scenario has been adopted.

Almost 90 % of casino tax revenue is sourced from the Grandwest Casino, with the other three casinos, Caledon, Mykonos and Pinnacle collectively contributing only 10%. The reason for these differences is that Grandwest is located in the Cape Metropolitan area providing easy access for locals and tourists. It is still to offer also more state-of-the-art facilities and high stake games.

## **Interest Revenue**

Interest is earned from monies deposited into the Provincial Revenue Fund (PRF), which is sourced from, amongst others, provincial equitable share payments, conditional grants rollovers, surrenders, revenue retentions, etc.

The projections over the MTEF for this source amount to R111,3 million, R100,6 million and R111,3 million in 2005/06, 2006/07 and 2007/08 respectively. The Provincial investment management policy ensures that investments are placed at financial institutions that have the highest capacity for repayment of capital and interest (i.e. are low risk), at the best possible returns.

## **Hospital fees**

Hospital fees are mainly generated from the sales of services by public hospitals to private patients in a competitive market. The payments are normally sourced from medical schemes, the Workmen's Compensation Fund, the Motor Vehicle Accident Fund and the other government departments such as the national departments of Justice and Safety and Security to which the Health Department renders a fee-based service.

In 2005/06, the Department projects that it will collect R149,0 million in hospital fees. Hospital fees are projected to increase by R11,4 million to R160,4 million over the MTEF, which essentially reflects the increase in Uniform Patient Fee Schedule (UPFS) tariffs as submitted in 2004/05. The estimate is conservative, in that in real growth terms, these fees are declining by 1% each year until 2007/08.

To produce more accurate projections the Department would have to take a number of factors into account. Factors include the annual renewal of tariffs that are dependent on National Department of Health, concerted efforts to collect debt by the Department and the improvements brought about by the billing systems, UPFS and Hospital Patient System (HPS) implemented by the Department of Health.

## **Other revenue**

### **Liquor license fees**

Liquor license tax revenue is generated from the application fee for new licenses, renewal and probable transfer of licenses fees from one owner to the other by hotels, wine-houses, etc.

Over the MTEF, liquor tax revenue is anticipated to be R8,7 million, R14,7 million and R18,7 million in 2005/06, 2006/07 and 2007/08, respectively. This reflects additional revenue of R5,3 million, R11,3 million and R15,3 million in 2005/06, 2006/07 and 2007/08 respectively.

### **Horseracing taxes**

Horseracing taxes are expected to grow nominally by 2.8% between 2004/05 and 2005/06. Projections for 2005/06 to 2007/08 remain unchanged with revenue expected to be R14,0 million annually, representing a real decrease.

The difficulty in forecasting horseracing revenue was exacerbated by the tax rate adjustments by the Province in order to align the rates with those of other provinces. The horse disease (Equine flu) and an outbreak of the African Horse Sickness also aggravated the situation.

### **Limited Gambling Machines (LGMs)**

Limited Gambling Machines (LGMs) licensing is a new source and it is expected to increase own revenue generated by the Gambling Board. However, the number of the possible licenses has been reduced from 9 000 to 2 000 machines, and the number of operators was also reduced from three to two, reducing the potential income for the Province. Fees from LGMs are projected to earn an additional R0.6 million in 2004/05. Over the medium term, the LGMs revenue is conservatively estimated to be R10 million per year.

### **Other revenue**

"Other revenue" refers to transfers received from various sources such as the Global Fund, rent on land, administrative fees, boarding and lodging fees, parking fees, sale of capital assets such as sale of immovable property, registration and tuition fees, laboratory services, sale of agricultural products, etc.

"Other revenue", which also includes horseracing tax revenue, liquor license revenue and LGM taxes, is projected to generate R199 million in 2004/05 and R198 million, R167 million and R159 million over the MTEF. The Global Fund, rent on land and sale of capital assets contribute R53,4 million, R25 million and R24 million and the annual renewal of tariffs by different departments make up a significant portion of other revenue.

True Sale of Capital Assets estimates for 2005/06 is projected to be R90 million higher, which amount is to be used to finance accelerated school building (construction and maintenance) delivery. This amount on both the revenue (Vote 10) and expenditure (Vote 5) side, will only be voted for in the Adjustment Estimates once the final numbers are known.

## 7. Summary of Budget aggregates

Table 13 gives a summary of the main revenue and expenditure components of the budget. Total Provincial receipts are projected to increase at an average annual real rate of 2.7% over the MTEF from R18 585,9 million in 2004/05 to R23 778,4 million in 2007/08, fuelled mainly by increasing transfers from national. At the same time, receipts sourced internally (own receipts and financing), increase from R1 318,3 million in 2004/05 to R1 706,2 million in 2007/08.

**Table 13 Provincial budget summary**

R'000	Outcome						Medium-term estimate			
	Audited 2001/02	Audited 2002/03	Audited 2003/04	Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	% Change from Revised estimate			
							2005/06	2004/05	2006/07	2007/08
<b>Provincial receipts</b>										
Transfer receipts from national	12 085 862	13 313 388	15 510 768	16 883 971	17 267 519	17 267 519	18 921 514	9.58	20 436 108	22 072 187
Equitable share	9 869 840	11 294 254	13 219 029	14 319 814	14 694 066	14 694 066	12 072 470	( 17.84)	13 098 806	14 014 803
Conditional grants	2 216 022	2 019 134	2 291 739	2 564 157	2 573 453	2 573 453	6 849 044	166.14	7 337 302	8 057 384
Financing		6 260		366 169	222 585		386 039		582 656	290 294
Provincial own receipts	954 970	1 115 423	1 330 079	1 094 732	1 180 891	1 318 343	1 372 846	4.13	1 372 142	1 415 910
<b>Total provincial receipts</b>	13 040 832	14 435 071	16 840 847	18 344 872	18 670 995	18 585 862	20 680 399	11.27	22 390 906	23 778 391
<b>Provincial payments</b>										
Current payments	8 394 916	9 340 129	10 424 498	11 772 319	11 702 375	11 682 954	12 927 726	10.65	14 047 914	14 945 509
Transfers and subsidies	3 380 329	4 334 044	4 985 482	5 500 869	5 760 937	5 605 109	6 241 245	11.35	6 466 909	7 028 582
Payments for capital assets	731 201	823 487	942 487	1 005 623	1 194 123	1 179 042	1 443 961	22.47	1 804 444	1 729 079
Direct charge	10 550	11 340	12 164	13 561	13 561	12 926	14 917	15.40	16 409	17 229
Unallocated contingency reserve				52 500			52 550		55 230	57 992
<b>Total provincial payments</b>	12 516 996	14 509 000	16 364 631	18 344 872	18 670 995	18 480 031	20 680 399	11.91	22 390 906	23 778 391
<b>Surplus (Deficit)</b>	523 836	( 73 929)	476 216			105 831		( 100.00)		

## Financing

Shortfalls in the budget amount to R386,0 million in 2005/06, R582,7 million in 2006/07 and R290,3 million in 2007/08, covered by accumulated reserves and compulsory savings (financing).

An important part of Budget 2005's objectives is the realization of the Strategic Infrastructure Plan and because economic services are crowded out of the Provincial Budget by social services, it has become necessary for the Province to supplement its revenue to achieve the goals of the plan. Accumulated reserves to the value of R1 259 million have been included in the MTEF for this purpose. This additional financing contributes to the government's attainment of the iKapa Elihlumayo targets and improve the socio-economic conditions in the Province.

The largest part of these additional allocations go to the Department of Transport and Public Works where an amount of R305 million in 2005/06 and R492 million in 2006/07 and R250 million in 2007/08 is targeted towards the upgrade, maintenance and construction of roads.

Allocations to the value of R3 million have been made to Agriculture in both 2005/06 and 2006/07 for research, in collaboration with the Department of Environmental Affairs and Development Planning, on addressing the impacts of climate changes and to formulate a Provincial water strategy.

The Department of Education will receive R20,0 million in 2005/06, R40,0 million in 2006/07 and R40,0 million in 2007/08 from reserves to address the most severe classroom backlogs in largely African communities.

Amounts of R7,5 million in 2005/06 and R7,5 million in 2006/07 have been given to upgrade the physical infrastructure of the Western Cape Nature Conservation Board, as part of a strategy to upgrade tourist facilities and National Youth Service Learning sites. An additional R15,0 million for 2005/06 goes to the Department of Economic Development to fund the second tranche payment for the building of a film studio. The Department gets a further R5.0 million in 2005/06 and 2006/07 to offset the earlier reductions made to finance the Novel deal.

A once-off allocation of R1,5 million is made to Local Government and Housing to support the 2006 Local Government Elections. In 2005/06, R1,5 million is allocated to Motor Vehicle Accident Intervention aimed at reducing fatalities and trauma in hospitals and managed by Community Safety. Cultural Affairs receives R200,000 from reserves in 2005/06 for the Cape Minstrels. In aggregate, real growth in total provincial receipts over the MTEF provide the Province with increased flexibility to pursue activities aimed at developing the Province economically.

## 8. Expenditure by Department

Sections 6 and 7 described the revenue and financing envelope over which the Province disposes in the pursuit of its vision of 'A Home for All'. In this section we describe how the available funds are allocated per Department. A total amount of R20,612 billion is allocated in the 2005/06 financial year. This represents a nominal increase of 11.6% from 2004/05. Over the MTEF period an additional amount of R5,236 billion is allocated.

The implications of these increases for each department are discussed in the next few paragraphs.

**Table 14 Summary of provincial payments and estimates by vote**

Provincial department R'000	Outcome						Medium-term estimate			
	Audited 2001/02	Audited 2002/03	Audited 2003/04	Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	% Change from Revised estimate			
							2005/06	2004/05	2006/07	2007/08
1. Department of the Premier	279 089	335 724	312 936	295 964	290 964	290 964	298 112	2.46	308 338	324 305
2. Provincial Parliament	20 007	23 887	28 840	33 300	33 300	32 100	40 681	26.73	42 665	45 215
3. Provincial Treasury	51 276	60 533	65 421	113 686	108 980	106 927	125 914	17.76	140 077	145 340
4. Community Safety	97 130	118 751	141 187	164 404	167 904	166 904	173 724	4.09	174 229	182 489
5. Education	4 394 562	4 802 240	5 304 807	5 647 657	5 770 057	5 770 057	6 259 846	8.49	6 768 527	7 242 726
6. Health	3 701 245	3 951 022	4 547 304	4 936 827	5 166 386	5 166 386	5 742 503	11.15	6 133 707	6 488 103
7. Social Services and Poverty Alleviation	2 384 809	3 138 474	3 770 627	4 493 426	4 326 504	4 331 026	4 917 483	13.54	5 201 316	5 647 807
8. Local Government and Housing	411 625	482 554	426 692	628 259	801 903	620 511	632 805	1.98	703 802	831 070
9. Environmental Affairs and Development Planning	92 660	120 470	120 622	135 035	137 417	135 721	158 720	16.95	162 242	162 581
10. Transport and Public Works	819 012	1 081 737	1 216 208	1 333 105	1 340 600	1 340 600	1 712 012	27.70	2 079 833	1 980 420
11. Agriculture	114 357	131 168	160 591	223 481	230 644	226 134	238 185	5.33	251 783	273 834
12. Economic Development	50 815	142 622	122 755	118 328	126 536	126 536	145 148	14.71	184 563	202 709
13. Cultural Affairs and Sport	89 859	108 478	134 477	155 339	156 239	153 239	167 799	9.50	168 185	176 571
<b>Total provincial payments and estimates by vote</b>	12 506 446	14 497 660	16 352 467	18 278 811	18 657 434	18 467 105	20 612 932	11.62	22 319 267	23 703 170

## **Vote 1: Department of the Premier**

The Department of the Premier (DoTP) vote constitutes 1.4% of the total provincial resource envelope and provides for expenditure of R298,1 million in 2005/06, a nominal increase of 2.5% or R7,1 million from the 2004/05 revised estimate. Over the MTEF the allocation increases nominally by 11.5% to R324,3 million in 2007/08. Compensation of employees accounts for 44.1% of expenditure in 2005/06, up from 37.7% in 2004/05. Over the MTEF period its share of total expenditure increases to 45.5%, indicating a nominal growth of 34.5% between 2004/05 and 2007/08. The goods and services share declines from 46.7% to 43.5% in 2007/08, indicating a nominal growth of 3.7% between 2004/05 and 2007/08.

These budgetary changes are being driven by the continued consolidation of the Department's core responsibilities. The Department has seen its function change from being simply the provider of transversal services, to increasing its role in providing communication and co-ordination functions as well as strategic direction for the Province. These changes are being driven by the development of four Lead Strategies that will help give effect to meeting the goals of iKapa Elihlumayo. The four Lead Strategies focus on building Internal Social Capital, building Internal Human Capital, ensuring effective Internal and External Communication and a Provincial Co-ordination Strategy, all aimed at ensuring more effective implementation. These Lead Strategies will collectively ensure the:

- Overall improvement in governance efficiency within Government and across spheres;
- Development of a collective working spirit across departments and functions in order to break the silo-mentality which pervades the Provincial Government;
- Encouragement and respect of diversity within the Province, including the Provincial Government;
- Ensure a more effective, committed and service orientated public servants; and
- Ensure more effective two-way communication both internally and externally as well as vertically and horizontally.

In line with the iKapa Elihlumayo strategy the Department received a new allocation of R3,8 million in 2004/05 for the internal HRD. This allocation increases to R4 million in 2005/06, R4,3 million in 2006/07 and R4,5 million in 2007/08. This money is specifically allocated for the development and implementation of an internal Human Resource Development strategy for the Province. It is focused on developing internal human capital moving beyond the concept of training to that of human resource development and fostering a culture of life long learning within the Provincial Government.

As agreed at the 2003 Provincial Growth and Development Summit (PGDS), the Western Cape is to initiate the establishment of a Provincial Youth Commission with the specific purposes of raising issues of concern of this vulnerable group. An amount of R4,9 million is allocated in 2005/06 for this purpose, up from R930 000 in the 2004/05 Revised Estimates.

The change in focus is reflected in the shift and reprioritisation of programmes. Risk management (security services) has been shifted to the Department of Community Safety with effect from 1 October 2004. This involves a shift of R13,4 million in 2005/06, R13,4 million in 2006/07 and R14,1 million in 2007/08 to the Department of Community Safety. For the same reason SITA payments of R21,7 million in 2005/06 and R2006/07 for the transversal financial systems were shifted to Provincial Treasury.

The creation of the Centre for e-Innovation housed within the DoTP involved the shift of Knowledge Economy and e-Governance (KEEG) from the Department of Economic Development, which came into effect on 1 April 2004, to be combined with Information Technology. This involved a shift of R12,3 million in 2004/05, R12,9 million in 2005/06 and R12,9 million in 2006/07.

The activities of the Gymnasium and the Lunch Club are currently being considered for transfer to other departments as well as the decentralisation of translation services to each individual Department.

## **Vote 2: Provincial Parliament**

This vote constitutes 0.2% of the total budget of the Western Cape for 2005/06 with its share dropping to 0.2% through the MTEF period. It provides for expenditure of R40,7 million in 2005/06, a nominal increase of 26.7% on the 2004/05 revised estimate of R32,1 million. It increases to R42,7 million in 2006/07 and R45,2 million in 2007/08. Over the period 2004/05 to 2007/08 the allocation increases by 40.9%.

Expenditure on communication (sub-programme 2.3) has increased by 172.1% from R2.2 million in 2004/05 to R6 million in 2005/06.

The funding is meant mainly to finance the normal activities of the Provincial Parliament. The provision includes R1.2 million for 2005/06 for the strengthening of the Provincial Parliament's oversight role.

Another of the key deliverables is the achievement of an efficient and cost effective Provincial Parliament with greater public participation and involvement of the citizens of the Western Cape in the parliamentary process. This includes public participation and public education initiatives.

Compensation of employees increases by 44.7% from R14,4 million in 2004/05 to R20,8 million in 2005/06. Over the period 2004/05 to 2007/08 expenditure on compensation of employees increases by 70.6% from R14,4 million to R24,5 million in 2007/08, increasing its share of the total budget to 54.2%. Expenditure on goods and services



increases by 35.5% between 2004/05 and 2007/08. However its share of the total budget declines from 27.4% to 26.4%.

### **Vote 3: Provincial Treasury**

This Department's total budget for 2005/06 stands at R125,9 million and constitutes 0.6% of the Province's total budget. This grows to R140 million in 2006/07 and R145,3 million in 2007/08 and over the MTEF, the budget for this Department totals R411,3 million, which translates to a 35.9% nominal growth over the period. Compared to the 2004/05 revised estimate, the vote enjoys a nominal growth of 17.8% in 2005/06, 11.2% in 2006/07 and 3.8% in 2007/08, year-on-year.

The Department has received additional funding to fulfill a number of key functions; specifically, R820 000 has been allocated for the implementation of the MFMA, R4,7 million for the final roll out of Logis and another R5,5 million has been allocated for central mainframe and transaction (SITA) costs for BAS, Persal and Logis in 2005/06. The R4,7 million for the final roll out of Logis is a once off allocation while over the MTEF the total additional funds sum to R58 million. Further allocations have been made to this Department of R137 000 to put into effect the housing allowance as per the PCSBS resolution 2 of 2004, while R446 000 has also been allocated for the implementation of the language policy in 2005/06.

The budget for Programme 1: Administration increases by R4.7 million from the 2004/05 revised estimate to 2005/06 and this translates to a 20.9% share of the 2005/06 allocation to this Department. Programme 2: Sustainable Resource management consumes 14.2% of this budget in 2005/06 as opposed to a share of 11.2% in 2004/05. The budget for Programme 3: Asset and Liabilities Management has declined slightly; from a share of 41.7% in 2004/05 to a share of 39% in 2005/06. The budget for Programme 4: Financial Governance remains largely unchanged with a share of about 26% of the budget in 2005/06. Overall in 2005/06, the budget for compensation to employees increases to R52,5 million, which is 41.7% of the budget as opposed to a share of 33% of the budget in 2004/05. The bulk of the budget is consumed by goods and services, although in 2005/06, we see this share drop to 57% as opposed to a share of 61.7% in 2004/05.

### **Vote 4: Community Safety**

The key role of the Department of Community Safety in the Social Capital Formation Strategy is to reduce the overall levels of trauma in the Province. This includes the addressing of crime levels, but also includes issues such as traffic safety and disaster management. In terms of trauma intervention the Department will have an important coordinating role with the departments of Transport and Public Works, Health and Housing and Local Government.

Community Safety receives 0.8% of the provincial budget, making up total expenditure of R173,7 million in 2005/06. This constitutes an increase of 4.1% from the 2004/05 revised estimates, and a further 9.3% over the MTEF period. Traffic Management receives the bulk of the departmental budget at 43.6% in 2005/06, an 11.6% increase from the 2004/05 revised estimates. The classification of the budget per economic activity shows that Salaries and Wages consume the largest portion of the departmental budget at 59.5% in the 2005/06 financial year, representing an 15.8% increase from the 2004/05 revised estimates, which then grows to 62.1% of the 2007/08 budget.

Traffic law enforcement takes 87.6% of the Traffic Management budget in 2005/06, which increases to 18.2% over the MTEF period. Traffic law enforcement is a critical element to achieving road safety. An amount of R3,5 million has been allocated for the finalisation of the Motor Vehicle Accident Intervention (MVAI) Strategy. The Department is undertaking extensive research into creating an integrated intervention strategy to address motor vehicle accidents and trauma in our hospitals. The CSIR has been commissioned to develop a Road Traffic Safety Management Strategy that will be based on a comprehensive analysis of the status quo and the impact it has on the rate of trauma in hospitals and fatalities on the road. This will include establishing the appropriate links with other departments and setting the relevant targets. A first report in this regard is to be completed by the end of February 2005. The first draft of the strategy is due to be completed by the end of March 2005.

The rest of the Traffic Management budget will be used to strengthen traffic law enforcement to increase safety on roads and protect road infrastructure by operating weighbridge services in partnership with the Department of Transport and Public Works.

The budget for the Provincial Safety and Security declines by 10.5% from the 2004/05 revised estimates, its share of the budget decreases to 21.2% over the MTEF period in 2007/08, whereas the share in 2004/05 stood at 24.4%. The decline is largely due to decreases in the amounts allocated for the Crime Prevention Centre and Community Liaison, with each decreasing by 8.6% and 25.5% respectively in the 2005/06 year.

The key priorities for the 2005/06 financial year include the mobilisation of communities in the fight against crime and the promotion of better relations between communities and the SAPS. Through the Community Policing Forums (CPFs), Neighbourhood Watches (NHWs) and anti-crime structures communities will be mobilized to identified eight priority crime areas particularly those ravaged by gangs and drug and substance abuse. Over the next three years the Department will focus on working with schools, families, street children and other spheres of government to develop an integrated strategy to fight the scourge of gangs and drugs.

In terms of understanding the environment within which services are delivered the Department will build up an understanding of the underlying causes of crime in the Province; for example gang culture and its relation to male

identity. A set of social capital outcome indicators and targets that the Department will address will be developed. This will include targets on all categories of crime, drug abuse, children and women abuse, the stock of social capital etc. that the Department wants to achieve in the next three years. In addition to this, the Department intends to provide more information on the geographical distribution of funds across its four regions.

#### **Vote 5: Education**

This vote's share is 30.4% of the total Provincial budget in 2005/06, this represents a slight decline from the 31.2% of 2004/05. Over the MTEF outer years the relative share is expected to be 30.3% in 2006/07 and 30.6% in 2007/08. The department's budget grew from R5.8 billion in 2004/05 to R6,3 billion in 2005/06 or 8.5%. Over the MTEF the budget reflects a nominal growth of 25,5% for years 2004/05 to 2007/08. The above inflation increase in part reflects a correction for its declining share of the total budget allocation in previous years, but more importantly it is an indicator of the importance attached to the development of human capital in the Province, as one of the eight lead strategies encapsulated by iKapa Elihlumayo.

Compensation of employees consumes 80.2% of the vote in 2005/06 compared to 80.7% in the 2004/05 Revised Estimate. Over the MTEF period its share declines to 80% in 2007/08. Between 2005/06 and 2004/05 Revised Estimate, compensation of employees shows a nominal growth of 7.8%. This above the inflation rate increase is due to the implementation of pay progression for teachers. Over the MTEF the budget allocation for compensation of employees increases from R4,7 billion in 2004/05 to R5,8 billion in 2007/08, an increase of 24.4% over the period.

The Public Ordinary Schools Programme accounts for 82,6% of the total education budget in 2005/06 or R5,2 billion. This represents a growth of 6.9% from 2004/05. Over the MTEF this programme's nominal rate of growth is 24.4% for years 2004/05 to 2007/08, with the budget expected to grow to R6 billion.

The second largest programme is Public Special School Education, in 2005/06 this programme accounted for 5.8% of the total education budget or R360,6 million. This represents a growth of 3.8% from 2004/05. Over the MTEF the budget reflects a nominal growth of 16.6% for years 2004/05 to 2007/08 growing to R405 million. This reflects the Department's commitment to adjust the budget allocation to Public Special Schools in order to bring down the per learner allocation in line with the national norm.

The Departments commitment to expanding access to Early Childhood Development (ECD) is reflected in the 20.7% nominal increase between 2004/05 and 2005/06, from R59,6 million to R71,9 million. Over the MTEF the allocation to ECD grows by 72.8% from R59.6 million in 2004/05 to R103 million in 2007/08 While still a small part of the total education budget at 1.1% in 2005/06, there is a clear commitment to a phased expansion of the ECD Programme and is now funded from the equitable share as the conditional grant came to an end in 2003/04. In order to reach its target of 80 000 learners being enrolled in Grade R programmes by 2010, the Department plans to increase access to ECD programmes by an additional 5 000 to 6 000 learners per annum.

The Department continues to play a leadership role in the formulation and co-ordination of the Provincial Human Resource Development Strategy (HRDS). The reach of this strategy goes beyond school education to develop and promote a culture of life-long learning. The strategy targets all areas of learning from Early Childhood Development, General Education and Training, Further Education and Training, Adult Basic Education and Training while also developing closer links with higher education and the MEDS as well as addressing the needs of the labour market. The strategy will strengthen the links between the Department and FET colleges, SETAs and institutions of higher learning, so that learners are equipped with the necessary skills and values to successfully participate in the global economy. The adequate supply of appropriately skilled individuals will play an essential role in ensuring more equal access to decent jobs and also encourage necessary investment. The strategy aims to equip learners with a solid foundation that will open up an increasing number of learning opportunities. Not only is the strategy aimed at addressing the quality of education, often measured by Senior Certificate Endorsements and the number of learners passing Mathematics and Science on the higher grade, but importantly aims to increase the number of learners continuing with Further Education and Training.

In addition to the direct role that the Western Cape Education Department (WCED) plays in the implementation of the HRDS, it plays a central role in building social capital within schools, amongst teachers and learners as well as the communities in which they operate. Programmes are in place to develop the capacity of local Representative Council of Learners and School Governing Bodies. This is in line with one of the broader objectives of iKapa Elihlumayo, that of ensuring an informed, inspired and engaged public citizenry.

One of the greatest challenges facing the Department is ensuring the provision of highly skilled educators to all schools in the province, including township and rural schools. Furthermore, in order to meet the expected increase in mathematics and science learners there is a need to upgrade the skills of these teachers as well as to increase the supply of newly qualified teachers. The Department does offer bursaries to student teachers wishing to teach mathematics and science. However, once qualified many of these teachers get appointed into School Governing Body Posts, often available at better resourced schools. The National Department of Education is currently developing proposals to ensure that bursaries given to poor students would only be provided on the condition that they sign a contract committing themselves to one of the provincial education departments as mathematics or science teachers for a specific period of time.

The Department has shown a strong commitment to monitoring and evaluation. This is to be done by setting performance targets at each delivery site (i.e. schools, Colleges etc). The setting of targets for rates of improvement per individual site is dependent on the appropriate benchmarking of current levels of performance as well as identifying appropriate and differential rates for improvement.

Total allocations to the Department include three conditional grants, the Primary School Nutrition Programme Grant, HIV and Aids (Life Skills Education) Grant and the Provincial Infrastructure Grant. The National School Nutrition Programme Grant increases from R36,6 million in 2004/05 to R40,1 million in 2005/06, a nominal increase of 9.6%. The allocation increases to R50,7 million in 2007/08, an increase of 38.5%. The conditional grant for HIV and Aids life skills programmes in primary and secondary schools increases nominally by 6.2% from R10,5 million in 2004/05 to R11,2 million in 2005/06. Over the MTEF it grows 18.2% to R12,5 million in 2007/08.

Following Provincial Cabinet approval, part of the budget allocation for infrastructure has been shifted from the Department of Transport and Public Work to the Department of Educations budget allocation. Allocations for construction and upgrading as well as maintenance costs shift, while the allocation for technical support remain within the budget of the Department of Transport and Public Works.

An additional amount of R20 million for 2005/06, R40 million for 2006/07 and R40 million for 2007/08 tapped from reserves, forms part of the earmarked allocations. These funds are to be targeted for the provision of classrooms in order to address the most severe classroom backlogs especially in African communities. In budgeting for this purpose, the Department must take cognisance of the N2 project needs. The allocation for infrastructure expenditure including the grant specifically aimed at classroom backlogs amounts to R189 million in 2005/06, increasing 26.7% to R239,5 million in 2006/07 and a further 13.2% to R271 million in 2007/08. A further possibility to accelerate classrooms delivery is R90 million in 2005/06 sourced from the sale of redundant fixed capital assets by the Department of Transport and Public Works. If these realise (both revenue and delivery), the necessary adjustments will be made in 2005/06 Adjustment Estimates.

Adequate funding has been made available to address teacher back pay progression, including a once off augmentation of R44,3 million from projected interest revenue for the 2005/06 financial year. Earmarked allocations for the Department include a special iKapa Elihlumayo allocation, an infrastructure allocation and funding for the implementation of a learner tracking system. These earmarked allocation have been included in the baseline specifically to support human resource development.

The iKapa Elihlumayo allocation increases from R23,5 million in 2004/05, to R125 million in 2005/06, to R131,4 million in 2006/07, and to R137,9 million in 2007/08. This represents an increase of 431.9% between 2004/05 and 2005/06 and over the MTEF the grant increases by 487%. In support of the HRDS, the allocation is intended to facilitate Grade 3 and 6 numeracy and literacy assessment tests, support a career guidance programme, increase the number of learners successful in higher grade mathematics and science subjects, develop FET programmes, provide loans to poor college students, increase the enrolment of learners in FET programmes including college programmes and equipment at FET schools and colleges. In particular the Grade 3 and 6 assessment tests will enable the Department to identify the location, nature and scope of poor learning outcomes in order to implement appropriate intervention strategies. The career guidance programme has three elements, the first of which is to train 400 career guidance teachers during 2004 and 2005. Second, develop a career guidance course for all schools, which will provide relevant up-to-date information on trends in the provincial economy as well as details on further education and training programmes. Third, in order to identify Grade 9 learners' potential and interests at the end of the GET Band and to guide them in choosing the appropriate FET programmes (either vocational, occupational or academic) all Grade 8 learners will be tested. In order to ensure that FET programmes are better aligned to provincial economic needs a number of new courses have been developed by the 6 FET Colleges.

An amount of R15 million has been spread evenly between the budget years 2005/06 and 2006/07 for the implementation of a Learner Tracking System. The Western Cape Province is the first Province to embark on such an initiative, which will greatly facilitate provincial education planning and facilitate the targeting of resources. The importance of such an initiative should be seen in the context of the Provinces HRDS and the desired growth in learner numbers. As a minimum deliverable for the 2005/06 financial year, the Western Cape Education Department has committed to tracking and recording learner dropouts and transfers. However, a more ambitious approach will entail a complete census of all learners in the Province, which would not only capture information relating to which school and grade a learner is in, but would also capture information regarding subject choices, flow through etc.

An amount of R4,7 million in 2005/06, R5 million in 2006/07 and R5,2 million in 2007/08 making provision for Places of Safety shifts to the Department of Social Services and Poverty Alleviation.

#### **Vote 6: Health**

Healthcare 2010 (HC 2010) is the Health Department's overall strategic planning framework. HC 2010 was developed in response to a situation where there is a large need for primary care services; where high levels of inequity in health service provision exist; where primary level services are inappropriately (and at an unaffordably high cost) being provided at secondary and tertiary level, thereby preventing them from focusing on secondary and tertiary services, as well as preventing them from providing support to primary level services.

HC 2010 proposes that the focus of health service delivery be shifted to community and primary level care, with appropriate referral mechanisms to secondary and tertiary levels of care. This will relieve the current inappropriately high primary level care utilisation at secondary and tertiary levels of care and will expand coverage of primary level services. The effect of this is that health services will become more relevant to the needs of the population, more efficient, and more equitable, inequity is decreasing because the expanded primary care services will be preferentially extended to areas where they are currently lacking. Since health services will better match the health needs of the population and will be provided more efficiently, it is anticipated that the effect will be a significant improvement in the health of the population.

The primary health care focus on which HC 2010 is based, also forms the foundation for the Social Capital Formation Strategy (SCFS). The role of this Department in the SCFS is best understood if one reflects on what is meant by health. The Department of Health's 2002/03 Budget Review acknowledges that it is difficult to define health but cedes that it is inextricably linked with socio-economic variables. They continue by quoting the tuberculosis<sup>3</sup> infection that was so rampant in Britain until the early 1920s was not brought under control by medication or any other healthcare interventions, but rather by the improvement in socio-economic conditions that came after the First World War. These include better housing, improved ventilation, better nutrition and so on, that brought about a spontaneous reduction in the incidence of this disease. The Budget Review then defines health as being not only an absence of disease, but also a state of well-being, on a continuum, which varies from extreme ill health to a state of great well being. It includes physical, mental, emotional, social and spiritual components.

The implications of the above are twofold. Firstly better health leads to opportunities whereby people can further contribute to their communities and secondly that the state of one's community or environment has a direct impact on their health, which directly impacts on the levels of social capital. Improved social capital has numerous positive spin offs that can take us closer to the vision of a Home for All.

In order to give impetus to the above, this Department's total budget for 2005/06 stands at R5,7 billion and constitutes 27.9% of the Province's total budget. Nominal growth between expenditure estimates of 2004/05 and those projected for 2007/08 amount to 25.6%. Compared to the 2004/05 revised estimate, the vote enjoys a nominal growth of 11.2% in 2005/06, 6.8% in 2006/07 and 5.8% in 2007/08, year-on-year.

The equitable share allocated to Health over the MTEF period totals R11,8 billion, while departmental receipts total R636,6 million and conditional grants add close to R5,9 billion to the total budget for the period. Receipts include a R3 million donation from the Friends of Valkenburg Trust to be used for the associated infrastructure project in 2005/06. The Global Fund, also included in receipts, has been reduced by R8,8 million due to exchange rates.

Additional funding of R351,3 million over the MTEF will ensure the implementation of the language policy, the take over of provincial health care services in the non-metropolitan municipalities as well as to give effect to the housing allowance as per the PSCBC resolution 2 of 2004. These allocations further strengthen the Social Capital Formation Strategy (SCFS), as amongst others, health information will be more accessible through the implementation of the language policy, rural primary and tertiary healthcare will be improved, all contributing to stabilising the health system.

With the function shifts from the Department of Transport and Public Works, the Department is allocated additional conditional grants, in the form of the Provincial Infrastructure Grant and the Hospital Revitalisation Grant. These grants, dedicated to the establishment and maintenance of infrastructure, add R780,8 million to the department's bottom line over the MTEF period.

Earmarked allocations are provided for HIV and Aids, health equipment, medicines, renovations for the joint Emergency - Disaster Management Centre and an ICT rental solution for the Centre. The earmarked allocations for this Centre are "front-loaded" in 2005/06, amounting to R10 million in order to give the Centre a "kick-start". Earmarked funds for HIV and Aids over the MTEF total R105,9 million, for health equipment they total R161,0 million and for drugs, medicines and other key inputs, the total value over the MTEF is R158,1 million.

Programme 5: Central Hospital Services continue to receive the lion's share of Health's budget with a third of the R5,7 billion allocated to this programme in 2005/06. The 2005/06 allocation of R1,9 billion is up by 8.1% in nominal terms from the revised 2004/05 figure of R1,8 billion. Over the MTEF to 2007/08, this programme consumes over R6 billion.

Programme 2: District Health Services grows by R294,2 million between 2004/05 and 2005/06, or 22.3% in nominal terms, giving this programme a 28.1% stake in the budget. This is up from the 25.5% share it consumed in 2004/05.

Programme 4: Provincial Hospital Services receives an additional R100,6 million in 2005/06 compared to the estimated expenditure levels in 2004/05, a nominal growth of 8.5%. At R1,3 billion in 2005/06 it constitutes 22.2% of Health's budget. The largest sub-programmes within this programme are General Hospitals with a budget of R776 million in 2005/06 and Psychiatric Hospitals with a budget of R285 million.

The Emergency Medical Services Programme grows by R49,4 million between 2004/05 and 2005/06.

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<sup>3</sup> The Health Status and Health Services Evaluation Report 2001/2001 shows that prevalence of TB in the Western Cape has been increasing dramatically. In 1995, 669 people per 100 000 had TB while in 2001, this figure stood at 832 people per 100 000.

Programme 8: Health Facilities Management's role is to manage the Works function that is to be transferred to this vote on 1 April 2005. Its 2005/06 budget stands at R296 million, or 5.2% of the vote's total budget.

The budget for Administration decreases by 11.8% to R195.6 million between 2004/05 and 2005/06. It contributes 3.4% to Health's budget in 2005/06. In terms of the share contributed, it is down from its 2004/05 levels of 4.3%.

In terms of economic classification, Compensation to Employees consumes R3.1 billion of the 2005/06 budget and this translates to 54.6% of the budget, which is slightly less than that of 2004/05.

HC 2010 calls for shifts in levels of care and the Department is working hard to ensure the fruition of this. The process to be used to achieve this is encapsulated in the Department's service plan and it is anticipated that the service plan will be finalised by June 2005 and that there will be significant progress with the restructuring of the staff establishments by the end of 2005/06. The finalisation and implementation of the service plan is of key importance to the success of the SCFS as the staff establishment formula (which will be contained in the service plan) will ensure greater equity in the distribution of resources. This formula uses mental health, HIV and TB prevalence as a basis of resource allocation and with the emphasis of hospitals in Khayelitsha and also Mitchell's Plain, in the medium term, we can expect to see more staff deployed to these areas.

Furthermore, the Department has set aside R15 million for specific social capital formation projects for the 2005/06. These funds are to be dedicated to children with chronic diseases as well as to curb the trauma levels in the Province that apply much pressure to the hospitals' budgets. The projects will also focus on children with diarrhoeal disease and immunization initiatives. Chronic diseases to receive attention include hypertension, diabetes, TB and HIV/Aids.

Furthermore, the Department is working with the University of the Western Cape's School of Public Health (SOPH) in drafting the Health Promotion Policy. A draft version has been completed and this is to be consulted with the Social Cluster as well as other key role players, particularly those involved in the implementation of this policy. The formulation of the policy is to be completed by June 2005.

#### **Vote 7: Social Services and Poverty Alleviation**

The Department of Social Services and Poverty Alleviation plays a pivotal role in implementing iKapa Elihlumayo, the growth and development strategy of the Provincial Government of the Western Cape. As the lead department for Social Capital Formation it has to ensure that its work contributes to the national agenda of fostering social cohesion and social inclusivity. The main thrust of this Department's budgetary contribution to the SCFS is to redistribute its transfers and support to CBOs and communities on a more sophisticated indicator of need.

The Department leads the Social Capital Formation Strategy and as such has collaborated with the relevant Departments to draft a comprehensive strategy that aims to address substance abuse, HIV/Aids, gangsterism, unemployment, improvement of the general health status, issues of access to government services and information as well as promoting civic-minded citizens. The Department understands that in order to ensure successful interventions, research on the Province's stock of social capital will need to be done. As such, progress has been made on desktop research for the development of baseline data on social capital. The Department intends to administer a survey during 2005/06 in order to fully engage key aspects pertaining to social capital and also begin to plug gaps in existing research. It is anticipated that the questionnaire will be distributed from June/July 2005 and this should go a long way to provide data on the stock of social capital in the Province.

The Department has also made much progress with its Poverty Reduction Strategy (PRS), a component of the Social Capital Formation Strategy (SCFS) and this is now primed for discussion in the next Social Cluster meeting. The formulation of the PRS is set to be completed by June 2005. Issues that need to be monitored include its interaction with the Micro Economic Development Strategy, which tends to operate in the first economy, while the PRS operates in the second economy. Progress on the PRS as well as its implementation is eagerly anticipated.

This Department's total budget for 2005/06 stands at R4.9 billion and constitutes 23.8% of the Province's total budget. Over the MTEF to 2007/08, the budget for this Department sums to R15.7 billion, which is a 30.4% nominal growth from 2004/05. This is higher than the year-on year nominal growth of 13.5% realised between the 2004/05 revised estimates and the 2005/06 allocations.

The bulk of the R4,9 billion is made of conditional grants to the tune of R4,3 billion, while the remainder is made up of departmental receipts (R7,3 million) and the equitable share (R645,2 million). This vote is allocated four conditional grants, namely, the Social Assistance Grant, the Administration of Social Assistance Grant, the Integrated Social Development as well as the HIV/Aids grant. The Social Assistance Grant adds up to a total of about R13 billion over the MTEF period. The Social Assistance Administration Grant funds the administration of the social security grant function. Monitoring, to be set out in the conditional grant monitoring plan, will focus on grant process integrity, service delivery quality, business planning and financial management, fraud minimisation, beneficiary payment processes, and efficient management of payment contractors.

The Food Emergency Relief Grant has been reconfigured to expand its coverage to other social welfare services. The new reconfigured grant is known as the Integrated Social Development grant. The allocations are based on the allocations published in the 2004 Division of Revenue Act and the outer year allocations are determined by inflating the 2006/07 allocations by 5 per cent.

The Department receives additional funding for the implementation of the Language Policy and for the Housing Allowance as per PSCBC resolution 2 of 2004. Also to be noted is the function shift of Places of Safety from Vote 5 of R14,9 million over the MTEF period. These allocations are to further strengthen the SCFS as Departmental information will be more widely accessible through the implementation of the Language Policy and the Housing Allowance will further stabilize the system as conditions of employment are improved.

When examining the budget in terms of economic classification, the bulk of the funds are consumed by transfers and subsidies to households. Specifically in 2005/06, R4 billion, which is the equivalent of the total grant pay outs, is transferred out of the R4.9 billion budget, while transfers to non-profit institutions amount to R362,5 million.

The share of Administration within the budget drops from 4.6% in 2004/05 to 3.8% in 2005/06, while that of Programme 2 increases slightly to 86.2%. The share of the budget for Programme 3: Social Welfare Services also increases slightly to 8.6%, from 8.4% in 2004/05. Programme 4: Development and Support Services and Programme 5: Population, development and demographic trends together make up less than 1.5% of the total budget in both years.

The social worker per population ratio in Khayelitsha is 1:17 000, which is substantially above the provincial average of 1: 5 400. The Department intends to apply a three year phased approach to bring the social worker per population ratio down to 1:7000 in specifically the district of Khayelitsha. This cost centre model for district offices is to be taken to the Provincial Cabinet at the end of February 2005. Furthermore 20 of the 64 social development workers are to be employed during 2005/06 and it is stated that areas like Khayelitsha will get priority in terms of their allocation. Both the issue of the social workers and social development workers, in specifically Khayelitsha form a key aspect of the SCFS.

The Department is busy developing a funding formula to guide its future allocation to non-profit and non governmental organisations based on considerations of equity and need. This new formula favours nodal areas and over three years begins to give greater effect to the notion of equitable distribution. The formula is to be finalised shortly and will be operationalised from April 2005.

#### **Vote 8: Local Government and Housing**

The process of amalgamating the departments of Housing and Local Government has been initiated. This Department's total budget for 2005/06 stands at R632,8 million and constitutes 3.1% of the Province's total budget. This grows to R703,8 million in 2006/07 and R831 million in 2007/08 and over the MTEF, the budget for this Department totals R2,2 billion, which translates to a 33.9% nominal growth from 2004/05.

Compared to the 2004/05 revised estimate, the vote enjoys a nominal growth of 2% in 2005/06, 11.2% in 2006/07 and 18.1% in 2007/08, year-on-year.

The 2005/06 budget is made up of R131,2 million from the equitable share, R25,1 million from departmental receipts, R466,1 million from conditional grants and R10.4 million from financing. The bulk of the conditional grant allocation is made up of the housing subsidy grant (R456,7 million), while the human settlement and redevelopment grant stands at just under R10 million. The Department has received additional funding of R327 000 to put into effect the housing allowance as per the PSCBS resolution 2 of 2004, while R892 000 has also been allocated for the implementation of the language policy.

The Department has received a number of earmarked allocations, specifically, R1,5 million for the local government elections in March 2006, R4,9 million for the establishment of the joint Emergency-Disaster Management Centre, R4 million for the recovery plans of Kannaland and Cederberg municipalities and R10 million for the appointment of community development workers. The spending for the Emergency-Disaster Management Centre is to take place in concurrence with the departments of Health and Community Safety in order to ensure an integrated approach towards disaster and emergency services. The allocations for the community development workers are also to be boosted by internal savings and the efficiency gains to be realised in the amalgamation process.

The budget for Programme 1: Administration increases by R11,4 million from the 2004/05 revised estimate to 2005/06 and this translates to an 8% share of the 2005/06 allocation to this Department. Programme 2: Housing consumes about 83% of this budget in both years and this is largely spent on transfers and subsidies to households. The budget for this programme has remained largely unchanged from 2004/05 to 2005/06. The budget for Programme 3: Local Governance has declined quite considerably; from R52,9 million in 2004/05 to R33.7 million in 2005/06. This is largely attributed to the Local Government Capacity Building Fund grant being paid directly to municipalities by national government. The budget for Programme 4: Development and Planning, more than doubles between 2004/05 and 2005/06 to R20,2 million and this additional allocation is ensure the employment of the community development workers.

The Department is in the process of developing a Housing 'road map' that spells out the nature and extent of the housing backlog. Furthermore, it will establish what strategies will be used to address this backlog as well as the timeframes that are applicable. To further speed up delivery, the Department has deployed project managers to municipalities to facilitate implementation of housing projects. The Department is currently cleaning up its database on the Provincial Housing Portfolio. This portfolio is to aid in the strategic use of provincial assets. Thus far,

developed properties have been captured but what remain outstanding are vacant properties. The Department has committed to completing this exercise by August 2005.

This N2 project is primed to ensure the completion of 22 000 units over the next couple of years. Specifically phase 1a of this project is to be completed during 2005/06. Progress in this regard will be keenly anticipated as this project is likely to bring much relief to many citizens in the Province.

The Department is in the process of liaising with other departments in the Integrated Development Plan (IDP) review process. The intention is to use this to ensure the maximum alignment between provincial and local development priorities. The Department is also due to produce a draft strategy on Youth Development and it is essential that this complement other provincial processes. The Province is beginning to see impressive examples of holistic governance, whereby departments are coming together, pooling resources to achieve economies of scale. The Department of Health receives R15.8 million over the MTEF in order to equip and operate the Emergency-Disaster Management Centre. These funds are augmented by the R4.9 million already allocated to Local Government and Housing in 2004 to create an integrated and more efficient result.

The Department indicated that the SETA would finance a maximum of 400 Community Development Work (CDW) learners for the CDW programme and that these learners will complete the course by 2 November 2005.

#### **Vote 9: Environmental Affairs and Development Planning**

Environmental Affairs and Development Planning, has been allocated 0.8% of the provincial budget and provides for expenditure of R158,7 million in 2005/06. This constitutes a 16.9% increase or R23 million on the 2004/05 revised estimates. A nominal increase of 19.8% is projected over the MTEF period.

The Provincial Spatial Development Framework (PSDF) is a critical co-ordination and geographical targeting tool in the iKapa Elihlumayo strategy. It will allow businesses and government to target investment at geographic areas where the best return is likely, and co-ordinate their investment efforts to ensure complementarity. The Department of Environmental Affairs and Developmental Planning plays a strategic role in the development and implementation of the PSDF. A key priority for the Department is the finalisation of this by April 2005, the final document of which is to be signed by the collective partners at a summit in June 2005.

Environmental and Land Planning receives the biggest share at 72.3% in 2005/06, with annual growth rates of 73.4% and 70.9% over the MTEF period. This includes transfers to the Western Cape Nature Conservation Board which make up 62.1% of the Environmental and Land Planning budget at R71,2 million in 2005/06. Amounts of R7,5 million in 2005/06 and R7,5 million in 2006/07 will be transferred to the Western Cape Nature Conservation Board for the upgrading of its facilities as part of a strategy to upgrade tourist facilities and National Youth Service Learning sites. Other transfer payments include R2,5 million to be transferred to local authorities as a contribution towards the development of spatial development frameworks, land planning, rezoning and other planning related initiatives. Another amount of R4,8 million is to be transferred to local authorities as part of the Western Cape Clean-up Operation.

The Environmental and Land Management Programme receives 16% of the budget which grows to 16.9% of the budget over the MTEF period. This is mainly due to the costs associated with the investigations into the development of golf courses and polo fields along the Garden Route and the co-ordination of the provincial law reform project. Over the recent years environmentalists, communities and other interests groups have expressed concern on the developments of golf courses along the Garden Route and the amounts of water used and their socio-economic impacts. A group of consultants were appointed in October 2004 to undertake a Rapid Review Study into the sustainability of these golf courses and polo fields in the Southern Cape. A report was subsequently submitted to the Provincial Cabinet but ongoing consultations and requests for inputs in response to the findings followed and these will eventually inform the Cabinet's final resolutions. Findings from the Golf Course study are to be used to develop guidelines for golf course development, which has to be compatible with the PSDF strategy.

The Department is in the process of refining and developing its role in the formulation of a response of the Province to climate changes (current and expected) and a Provincial Water Strategy in a collaborative effort with the Department of Agriculture. Monies for this purpose have been additionally given to the Department of Agriculture. There are also plans to launch this campaign in conjunction with Department of Water Affairs and Forestry (DWAF). A consultative process between the different role players will be necessary to define roles and responsibilities.

## Vote 10: Transport and Public Works

Between 2004/05 and 2005/06 the Department's budget increases by R371,4 million or by 27.7% in nominal terms. This budgeted increase is mainly driven by projected growth in the Roads Infrastructure Programme's budget of R276,1 million, or 42.3%. The Public Transport programme budget also grows significantly by R94,8 million, with this growth occurring on a relatively low base and thus generating a growth rate of 81.5%. The Administration Programme, is projected to grow by R9,9 million, or 25.7%. The growth in these programmes is mainly financed from new resources, but a small amount is funded by relatively minor declines in the budgets of the Public Works (0.6%), the Traffic Management (2.5%) and the Community-based (5.0%) programmes. The shift of the Education and Health Public Works budget from the Department's budget to the line departments of Education and Health is not reflected in budget figures as the allocations and expenditure before 2005/06 have been adjusted to exclude the Education and Health budget work components. The latter have been placed on Health's and Education's records of expenditure prior to 2005/06.

By the end of the MTEF period, the entire Department's annual budget is projected to grow by R639.8 million or 47.7% from the 2004/05's estimated expenditure, although over the MTEF it reaches its peak in 2006/07 with a budget of R2 079,8 million, an increase of R739.2 million from the 2004/05's estimated expenditure levels. The Road Infrastructure Programme drives this total increase. Its 2007/08 budget increases by R526,3 million when compared with its estimated expenditure in 2004/05. This is a nominal growth of 80.6%, which comes off a base that is already relatively high. Over the MTEF period, the Road Infrastructure Programme's budget reaches its peak in 2006/07 at a level of R1 202,3 million. Public Transport also remains a key driver of the budget increase; its budget fluctuates over the MTEF years, reaching a peak of R283,4 million in 2006/07, R167 million greater than the estimated expenditure in 2004/05. By the end of the MTEF, Public Transport is R197,8 million, R81.5 or 70.0% higher than the 2004/05 estimate of expenditure in nominal terms. By the end of the MTEF, the only programme to be receiving less resources annually than in 2004/05 is Traffic Management, which receives R22,1 million or 11.7% less, in nominal terms.

By the end of the MTEF Public Works contributes 16.7% to the budgeted expenditure of the Department, down from 21.4% in 2004/05. In contrast Road Infrastructure's share of the budget has grown from 48.7% of estimated expenditure in 2004/05 to 59.5%, a gain of 10.8 percentage points in the share of the budget. Public Transport's share of the annual budget increases slightly, by 1.3 percentage points at the end of the MTEF (2007/08). Despite increases in the resources going to the Administration Programme, the share of the budget consumed by this programme declines slightly (by 0.6 of a percentage point).

Of the R639,8 million increase in the Department's budget over the MTEF, payments for capital assets consume R467,9 million or 73.1% of this. As a share of the Department's budget, Payment for Capital Assets expands from constituting 37.5 % of the budget to 49.0% of the budget. This item is R467,9 million or 93.2% greater in nominal terms than the estimated expenditure on this item in 2004/05. In 2007/08, the growth in the Compensation of Employees item is 41.2% when compared with levels in 2004/05 – a rate below the rate of increase in the Department's total budget. As a share of the budget, Compensation of Employees personnel expenditure is budgeted to drop slightly from 11.7% to 11.2%. The annual Goods and Services item is budgeted to grow by 14.7% by the end of the MTEF when compared to 2004/05, giving rise to projected significant drop in the Goods and Services' item share of the budget from 45.4% to 35.2%.

In 2005/06 the Department will further develop the Strategic Infrastructure Plan (SIP), which will be finalised in June 2005. The plan will, firstly, specify the nature and extent of the infrastructure the Province will maintain and provide up until 2014, as well the rationale behind these decisions. The plan will also cover the implementation and financing of the infrastructure. Secondly, the SIP will attempt to align all infrastructure spending by a range of roleplayers, both local and national, to achieve the maximum possible socioeconomic benefits.

The Department receives significant additional resources for the construction, maintenance and rehabilitation of roads in 2005/06 and 2006/07 in the form of earmarked allocations of R100 million and R200 million respectively. The selection of roads and types of interventions for maintenance and construction is to be informed by the SIP. The roads component of the SIP is dependent on the MEDS and PSDF, which are still being developed. In the meantime, the Department will develop a framework of variable standards to cover the road maintenance side of their work. The aim is to maintain the road network within the bounds of the current resource envelope, while ensuring that the maintenance decisions as far as possible are informed by the other lead strategies. An appropriate set of standards will seek to establish a proper balance between socio-economic and engineering objectives, and once developed, can form part of the SIP.

The Department will begin planning the various infrastructure upgrades required to host the Western Cape leg of the Soccer World Cup 2010 events now that Athlone Stadium has been selected for the main events. The Department has received earmarked allocations of R30 million per year in 2006/07 and 2007/08 for contributions to the upgrading of the Athlone stadium infrastructure.

During the MTEF, the Department will work on "unblocking" the Klipfontein Corridor development project, which is aimed at improving public transport linkages between Khayelitsha and Mitchell's Plain and the Cape Town city centre. The investment in the Klipfontein Corridor will also improve the accessibility of the Athlone Stadium. Unblocking entails developing a much fuller project description and project scope definition than currently exists, in



which its physical and mobility objectives are provided in detail. Other aspects which will be given urgent attention, include:

- The development of environmental impact assessments briefs and their conducting;
- The creation of one or several special purpose vehicles for implementation of sub-projects;
- The formulation of the role of Wesgro in mobilising funding for sub-projects; and
- Addressing the delays on the side of the City of Cape Town.

The Department receives earmarked resources of R63,57 million in the second year of the MTEF (2006/07) to supplement the existing resources budgeted for the Klipfontein Road project.

The procurement of maintenance and construction services, and the procurement support and monitoring services that the Department provides to line departments, gives it an important policy lever for improving Broad Based Black Economic Empowerment (BBBEE) in the Province. To enhance the use of this lever, the first step that is required is to clarify the framework for measuring the BBBEE status of businesses and for setting procurement targets. This framework needs to be aligned with the new national legislation and emerging regulatory framework. The Provincial Treasury and the Department of Economic Development are working on this framework. The Transport and Public Works Department can begin to enhance the use of preferential procurement instrument once the framework is developed.

The Property Strategy is a crucial element of the SIP. The Property Strategy considers how the Province's property portfolio should be rationalised, and how the rationalisation process and the portfolio of property remaining can be best be used to leverage economic spin-offs. The strategy will be informed by an audit of all provincially owned facilities, as well as the properties that the Province leases to others, both undertaken by the Department. The scope of the strategy includes provincial housing property (which is being audited by the Department of Local Government and Housing). Strategically located properties or properties with high economic potential will be the subject of individual Property Development Plans. Property rationalisation and development entails transactions with the private sector, which give the Department instruments in addition to preferential procurement that can be used to leverage improvements in black economic empowerment in the Province (disposing of assets, granting concessions and leases etc). The Property Strategy may have to develop a set of BEE targets related to these transactions.

Currently, there are a number of asset disposal and development initiatives at various points of implementation e.g. Conradie Hospital. To date, progress on these initiatives has been very slow. The Department will consider how the processes can be unblocked during 2005/06.

One of the biggest function shifts facing the Province in 2005/06 is the transfer of the Health and Education facility construction and maintenance function from the Public Works Programme to the line departments concerned. At first technical competence will remain with the Public Works Programme, and technical services will be accessed by line departments through service level agreements (SLAs) with Public Works. The Provincial Treasury is to provide assistance where necessary in the setting up of these SLAs. (It is possible that as the line departments gain experience and competence in public works function, technical capacity in some form or other could be migrated from Public Work to the line departments). The Provincial Treasury is also in the process of developing guidelines to assist the Education and Health with preferential procurement. All the budgets resources for new Education and Health projects starting in 2005/06, as well the resources for the ongoing phases of incomplete projects starting in 2005/06 have been shifted on these line departments' budgets. Adjustment appropriations will be used during the course of 2005/06 to transfer rollovers from Public Works' 2004/05 budget and to appropriate expenditure for committed school projects estimated to be around R90 million to be funded by property sales in 2005/06.

The Department reports on the Extended Public Works programme for the Province, a significant proportion of which is decentralised to a number of line departments. The Department will establish a responsive monitoring, reporting and evaluation system for the EPWP over the MTEF. Putting such a system in place includes inter alia the design of appropriate reporting formats, providing explanation and technical assistance to line departments on the reporting, ensuring that line departments follow through with the reporting.

Motor Vehicle Licence (MVL) fees represent a critical source of revenue for the Department. During the MTEF the Department aims to put the projections on a sounder footing by setting up formal service level agreement with all its collection agencies (i.e. municipalities), and by developing a debt policy for the recovery of unpaid MVL fees from vehicle owners, which includes an enforcement policy.

#### **Vote 11: Agriculture**

Agriculture's expenditure in 2005/06 is projected to increase by 5.3% in nominal terms from 2004/05 estimated expenditure level, or by R12.0 million. The modest increases in the Department's budget need to be viewed in the light of the large increases it has received over the last few years relative to other departments in the economic cluster. The annual growth is predominantly driven by increases in the Technology Research and Development Programme, which grows by 14.8% in nominal terms, and Farmer Support and Development Programme, which grows by 8.8%. The R12 million increase in the Department's budget is insufficient to fund the increases in these

two programmes, and the extra resources required i.e. R450 000, are found in the cuts to Sustainable Resource Development and Structured Agricultural Training. (Technology Research and Development's absolute increase is R370 000 higher than the Farmer Support Development's increase). Other programmes driving growth to a lesser extent, are Veterinary Services (increasing by 12% or R2,7 million in absolute terms) and Agricultural Economics (increasing by 34.2% or R2,1 million). Increases to the budgets of these programmes are also funded by cuts to the Sustainable Resource Development (decreasing by 12.5% or R4,7 million) and the Structured Agricultural Training programmes (decreasing by 12.2% or R2 million).

By the end of the MTEF period (2007/08), Agriculture's annual budget is projected to grow by R47,7 million, or 21.1 % in nominal terms. The total growth is mainly due to the growth in the resources budgeted for the Farmer Support Development Programme, whose annual budget grows by 42.8% by the end of the MTEF period (2007/08) from its 2004/05 estimated expenditure, or by R29.4 million in absolute terms. Technology Research and Development and Veterinary Services receipts are projected to grow at somewhat lower nominal rates (16.2% and 24.6%). The absolute increase to these programmes' budgets in 2007/08 when compared to their 2004/05 estimated expenditure is R7 million and R5.6 million. Structured Education and Training budget allocations recover slightly by the end of the MTEF when compared to 2004/05 estimates of expenditure so that by the end of the period its annual allocation is 11.8% higher in nominal terms, or R1.9 million higher in absolute terms. Sustainable Resource Management continues with its downward trend with its annual budget projected to fall by 7.5% in nominal terms from the 2004/05 estimated expenditure levels (or by R2,8 million).

These trends are reflected in the changes in programme budget shares of the total over the MTEF period. In 2004/05, Farmer Support and Development makes up 30.4% of the budget in 2004/05. This share of the budget grows over the MTEF to 35.8%. Despite the growth in Technology Research and Development's and Veterinary Services projected allocations, Technology Research and Development's share declines by 0.8 of a percentage point to 18.4 %, and Veterinary Service's share only increases by 0.3 of a percentage point to 10.4% of the budget. Sustainable Resource Management's share of Agriculture's budget drops from 16.4% to making up 12.5% of its budget over the course of the MTEF. The decline in Structured Agricultural Training's share of budget is somewhat less, dropping from 7.4% to 6.8% of the budget.

In terms of economic classification, the growth in projected expenditure is largely driven by Compensation of Employees and to lesser extent, by projected expenditure on Goods and Services. At the end of the MTEF, the annual personnel and goods and services budgets are projected to have increased by R43,2 million and R11,2 million respectively, whereas the total annual expenditure for the Department is projected to have increased by R47,7 million. The annual share of the Department budget's taken up by Compensation of Employees shifts from 41.1% in 2004/05 to 50% in 2007/08, whereas Goods and Services' share increases somewhat over the MTEF, but by the end of the MTEF is almost back to the 2004/05 levels of 21.1% (i.e. 21.5%). The annual amount budgeted for Payments for Capital Assets also increases in 2007/08 as compared to 2004/05 estimated expenditure by R 2.7 million, but as a share of the budget it is projected to decrease from 19.4% to 17.0%. The growth of these two expenditure items is accommodated by a cut of R9.4 million in Transfers and Subsidies, which brings its share of the budget from 18.1% in 2004/05 to 11.5% in 2007/08.

One of the priorities for the Department in 2005/06 is the finalisation of the Agriculture Sector Strategy, which is informed by a multi-sector consultation process that emerged from the PGDS. The Sector Strategy, the Microeconomic Strategy (MEDS), the Provincial Spatial Development Framework (PSDF) and the Strategic Infrastructure Plan (SIP) are all in the process of being integrated. The integration of the Agriculture Sector Strategy and the MEDS has started.

A key outcome of the integration will be an appropriate distribution of the responsibility for providing business support services to emerging farmers and agribusinesses (as opposed to the development and transfer of technology currently undertaken by Agriculture) across the Departments of Agriculture and Economic Development.

The Sector Strategy will include sufficient detail to guide the Department in its service delivery especially in its technology research and development and its farmer support service. To do this, it will cover substantive elements of agricultural sector development i.e. the crops that the Department will promote and the geographic distribution of crops that it will seek (in line with ecological suitability (which is also shifting), and other aspects identified in the PSDF).

The Department will also work further on strengthening and refining its co-ordinating role in human resource development of farm workers. Its role entails inter alia ensuring that government service delivery agencies have access to farms and that provincial and national farm worker interventions are properly co-ordinated.

Over the MTEF the Department will work, together with the provincial Department of Environmental Affairs and Development Planning and the national Department of Water Affairs and Forestry on researching and formulating a comprehensive water strategy for the Province. Of the additional resources allocated to the Department, R6 million spread over the first two years of the MTEF, has been earmarked for the development of this strategy, augmenting monies already available in the budgets of the respective departments. The strategy includes within its scope the study of the effects of climate change upon Agriculture, and how its negative effects can be ameliorated.

A funding gap for start-up capital of land reform beneficiaries exists in the national resources dedicated to rural land reform. National resources cover the purchase of the land and fixed assets and the provision of on-farm infrastructure and support services to land reform beneficiaries. Furthermore, the national resources are not sufficient to cover the demand for on-farm infrastructure and support services from the emerging sector. In 2004/05 Agriculture received a provincial earmarked allocation to address some of these gaps, but only in regard to Land Redistribution for Agricultural Development (LRAD) beneficiaries; more resources have to be found. In seeking to close the gaps, the Department will have to consider the roles that the commercial agriculture sector, banks, the provincial Department of Economic Development and the national Department of Agriculture can play.

The Department will also work on streamlining its processes for transferring the conditional grants and provincially earmarked resources to emerging farmers. Given the large number of eligible beneficiaries in the emerging sector, this task is challenging. The elements of transfer process include planning, resource allocation, resource transfer to projects and project management. Processes need to be designed in such a way that spending targets are met, all the resources are viewed as a total package for farm support are equitably distributed, and that this is done efficiently while maintaining PFMA compliance.

The Provincial Government has critical roles to play in the development of marketing support services for the emerging agriculture sector, and in the provision of marketing and information and intelligence in the sector as a whole. The Department has over the course of the last few years begun to develop these services, and from 2005/06 the intention is for it to work with Wesgro to strengthen them, and roll them out at scale. Agriculture market information and intelligence will form a significant part of Economic Development's Global Intelligence Unit, which will be developed and operated by Wesgro. Wesgro will extend its current experience, networks and infrastructure in the field of marketing support to the agricultural sphere.

Casidra experienced financial problems in the 2003/04 financial year. The Department is overseeing a process of repositioning Casidra, a rural development agency to which the Province provides core funding and outsources a number of farming and business support services. As significant users of Casidra service, it is hoped that the Department of Economic Development will assist in this process.

Over the MTEF the Department will investigate how it can increase the degree of cost recovery it achieves on its technology development, and its regulatory functions. In regard to the former, commercial agriculture generates a return on the technology developed by the Department. The Department may investigate how it can better tap into this stream of returns, and thus boost its capacity to dedicate more resources to developmental functions.

## **Vote 12: Economic Development**

Economic Development's expenditure in 2005/06 is projected to increase by 14.7% in nominal terms from the revised estimate of departmental expenditure for 2004/05, or in absolute terms by R18.6 million. The increase in total projected expenditure from 2004/05 to 2005/06 is mainly due to increases in the Economic Sector Development Programme, to which R33 million has been added, giving rise to nominal growth of 96.8% in this Programme. The growth is partially due to increases in the Departments' transfer contribution to the Destination Marketing Organisation which grows by 22.5%, to a level of R 25.9 million, and the inclusion of the second tranche for the building of the Film Studio within the Economic Sector Development Programme. The Administration Programme is the only other programme to which resources have been added in the period; Administration's budget gains R3.5 million, causing it to grow by 23.8% in nominal terms. The expansion of these programmes is not only financed by additional resources allocated to the Department, but also by reductions in other Programmes' budgets. Economic Stimulation is cut by R12,0 million (47% reduction in nominal terms), mainly due to a reduction in Wesgo's estimated expenditure for 2004/05, which was substantially boosted to pay for the first tranche of the Film Studio. Economic Participation's budget has also been reduced from 2004/05 levels, which were boosted to fund the purchase of Novel Spinners.

By the end of the MTEF, the Department's annual budget is projected to grow by R76,1 million or 60.2% in nominal terms. Economic Sector Development remains the key driver of this growth, with its 2007/08 budget projected to grow by R73,9 million or 216.5% nominally from estimated expenditure levels for 2004/05. Economic Participation is projected to receive a minor increase in 2007/08 of R0,245 million from 2004/05's levels of estimated expenditure, while Economic Stimulation's annual projected spending dramatically declines by 29.3% between 2004/05 year and 2007/08 year, or R3,8 million in absolute terms. The Administration Programme continues to receive additional resources, growing by R7,6 million or 51.6% in nominal terms from 2004/05 estimated expenditure levels, but its growth rates remain below that of the Department as a whole.

By the end of the MTEF the Economic Sector Development Programme is the only programme to have increased its share of the budget when compared to the 2004/05 estimates of expenditure, from 27.0% to 53.3%, or 26.3 percentage points. This expansion in the share of the budget occurs mainly at the expense of the Economic Stimulation and Economic Participation Programmes, which experience drops of 12.1 and 11.8 percentage points by the end of the period.

In 2005/06 the Department will build on the research work done in 2004/05 to develop a comprehensive Microeconomic Development Strategy (MEDS). In the formulation of the strategy the Department will define the roles envisaged for the private sector, labour, civil society and government. Formulation will be dovetailed with the

consultation process springing from the Provincial Growth and Development Summits (PGDS), aimed at facilitating buy-in of these sectors, on which the success of the strategy depends. As the MEDS is a strategy that predominantly details how the government is to become involved with and intervene in the private sector, it has to define concrete roles for the government. The MEDS will also give the economic rationale for such interventions, based, for instance, on overcoming specific market failures, so as allow government to better understand its function in the market economy and its agencies to better respond to the strategic framework when designing their specific interventions.

The Provincial Spatial Development Framework (PSDF) is a tool for targeting and co-ordinating Provincial investments, as well as a tool for co-ordinating the Province's investments with those of other players. It can thus be used to inform the design and implementation of the MEDS, and the spatial targeting of the associated investment and service interventions. For instance, the PSDF can be used to geographically target the following departmental programmes: the programme of service business support services (RED doors); the municipality-based programme of local economic development (LED) technical support provision and sector based interventions.

Over the course of the MTEF, the Department has been allocated a number of additional resource payments that will allow it the funding space to begin to overcome the rigidities in its budget, emanating from historical funding patterns. It will also be able to re-align its budget towards patterns that better address the objectives of the MEDS. In relation to its total budget, significant resources have been provided to the Department for sector-based initiatives – additional allocations start at R5 million in 2005/06 and jump rapidly to reach a level of R55,8 million in 2007/08. Other earmarked allocations addressing funding commitments built up in previous years also give the Department fiscal space to realign its budget i.e. R15 million to pay for the second tranche of the film studio in 2005/06 and R10 million to cover the re-instatement to Wesgro, spread evenly over 2005/06 and 2006/07.

The Department will continue to set up a network of “one-stop shops” for small business support, termed Real Enterprise Development (RED) doors, which will act as a conduit for the Department's range of services including more specialised services. To manage the risks that have historically accompanied the provision of small business support services, the Department will be highly responsive to their performance. Feasible performance targets will be put in place as the Department gains expertise in the running of the RED doors, but until sensible targets can be established, the number of RED doors will be limited.

The Economic Empowerment sub-programme within the Department will strengthen its focus on providing assistance to Departments to use the transactions they have with the private sector to increase BBBEE in the Province, especially in relation to preferential procurement. Preferential procurement is probably the most significant BBBEE instrument for the Province.

Over the course of the MTEF, the Department will build a stronger and clearer working relationship with Agriculture. It is envisaged that this will entail finding an appropriate distribution of responsibility for the provision of marketing and business support services for farmers and agribusinesses across Economic Development and Agriculture. This distribution of responsibility will be considered when the provincial Agricultural Sector Strategy, emerging from a process initiated by PGDS and driven by the Provincial Development Council, is integrated with the MEDS, a Departmentally driven process. The intention is that Wesgro will play a much greater role in the provision of marketing support services to the emerging farming sector and agricultural market intelligence to the broader sector. The Department will also assist Agriculture in the restructuring of Casidra.

Liquor license fees represent a potentially important stream of additional resources, which will allow the Department further space to realign its budget towards MEDS objectives. New legislation, to be passed in October 2005, could see a significant increase in licence fee yields. The Department may also investigate how it can make the liquor licence revenue stream more predictable by changing the arrangements it has with the South African Revenue Service (SARS), the collection agency.

Together with the Provincial Treasury, the Department will also investigate the possible introduction of tourist industry or hospitality levies.

### **Vote 13: Cultural Affairs and Sport**

Cultural Affairs and Sport consume a 0.8% share of the total Provincial budget for 2005/06 and grows by 15.2% over the MTEF period. The growth in the 2005/06 departmental budget is mainly driven by the 29.9% increase in Administration and 17.5% increase in Sport and Recreation programmes. Their percentage changes over the MTEF period are 22.4% for Administration and 28% for Sport and Recreation. Management services under Administration increases by 63.4% from the 2004/05 revised estimates to the 2005/06 allocation. The Department is setting up a Monitoring and Evaluation and Research unit that will conduct research on the problems of crime, gang culture, drug abuse, unhealthy lifestyles and anti-social behaviour that the Department would try to address to enable them to redirect their planning and resource allocation. The three local universities will also be involved in the research to determine the state of social capital in the Province. This will also be done in conjunction with the other departments in the Social Cluster, namely, Community Safety, Social Services and Poverty Alleviation, Health, Education and Local Government and Housing.

With regards to Sport and Recreation, the Department seeks to create a sense of belonging by all racial groupings and to achieve unity at both schools and within communities. School sports will be revived and talented learners will be supported. An amount of R500 000 has been set aside to ensure early talent identification in 2005/06. A national conditional grant of R2.7 million has been provided for the Mass Sport and Recreation Participation Programme in this year. To ensure equity in the distribution of facilities amongst the previously disadvantaged communities five sports facilities will be opened.

A Strategic framework document for the Western Cape Leg of the 2010 World Cup is due to be finalised by May 2005. This document will take account of the following:

- Transport and Infrastructure requirements;
- Public Works and upgrading of training facilities and the designated stadium;
- The role of national government, SAFA and State-Owned Enterprises;
- Associated Arts and Culture programmes;
- Opportunities to build social capital and create employment through the involvement of the Youth and volunteers;
- The associated sport programme including pre-training, warm-up games and the like, and Economic and specifically tourism strategies.

A Cultural policy that will determine the flow of funding to cultural bodies and museums is due to be completed by March 2005. The Department already has a set of transformational conditions for funding to sports federations.

The Department is planning to adopt/introduce an incubator approach that is going to target a basket of departmental services in one site. Such sites should correspond with the targeting patterns of other departments. The impact of this new approach should also be closely monitored before it is rolled out further. Funds amounting to R1 million have been earmarked for the rolling out of the incubator approach in presidential nodes.

## Expenditure by iKapa Elihlumayo Pillar

Table 15 shows total provincial expenditure expressed as proportions of the 4 iKapa Elihlumayo Pillars discussed in section 4 above.

**Table 15 Summary of provincial expenditure per strategy and department/component**

Strategy/Department/ Component R'000	Outcome						Medium-term estimate			
	Audited 2001/02	Audited 2002/03	Audited 2003/04	Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	% Change from Revised estimate			
							2005/06	2004/05	2006/07	2007/08
<b>Improved and more accommodating human relations</b>	6 636 115	7 733 610	8 947 012	10 278 968	10 510 106	10 338 012	<b>11 529 874</b>	11.53	12 274 808	13 213 080
Vote 4: Community Safety	97 130	118 751	141 187	164 404	167 904	166 904	<b>173 724</b>	4.09	174 229	182 489
Vote 6: Health	3 701 245	3 951 022	4 547 304	4 936 827	5 166 386	5 166 386	<b>5 742 503</b>	11.15	6 133 707	6 488 103
Vote 7: Social services and poverty alleviation	2 384 809	3 138 474	3 770 627	4 493 426	4 326 504	4 331 026	<b>4 917 483</b>	13.54	5 201 316	5 647 807
Vote 13: Cultural affairs and sport	89 859	108 478	134 477	155 339	156 239	153 239	<b>167 799</b>	9.50	168 185	176 571
Vote 8: Local Government Housing (Housing)	363 072	416 885	353 417	528 972	693 073	520 457	<b>528 365</b>	1.52	597 371	718 110
<b>Economic and spatial improvements</b>	1 076 844	1 475 997	1 620 176	1 809 949	1 835 197	1 828 991	2 254 065	23.24	2 678 421	2 619 544
Vote 9: Environmental affairs and development planning	92 660	120 470	120 622	135 035	137 417	135 721	<b>158 720</b>	16.95	162 242	162 581
Vote 10: Transport and public works	819 012	1 081 737	1 216 208	1 333 105	1 340 600	1 340 600	<b>1 712 012</b>	27.70	2 079 833	1 980 420
Vote 11: Agriculture	114 357	131 168	160 591	223 481	230 644	226 134	<b>238 185</b>	5.33	251 783	273 834
Vote 12: Economic development	50 815	142 622	122 755	118 328	126 536	126 536	<b>145 148</b>	14.71	184 563	202 709
<b>Building knowledge and skills</b>	4 406 013	4 813 677	5 316 521	5 664 053	5 783 370	5 783 370	6 276 567	8.53	6 785 796	7 261 094
Vote 1: Department of the Premier (Provincial Training)	11 451	11 437	11 714	16 396	13 313	13 313	<b>16 721</b>	25.60	17 269	18 368
Vote 5: Education	4 394 562	4 802 240	5 304 807	5 647 657	5 770 057	5 770 057	<b>6 259 846</b>	8.49	6 768 527	7 242 726
<b>Institutional improvements</b>	387 474	474 376	468 758	525 841	528 761	516 732	<b>552 426</b>	6.91	580 242	609 452
Vote 1: Department of the Premier (Excluding provincial training)	267 638	324 287	301 222	279 568	277 651	277 651	<b>281 391</b>	1.35	291 069	305 937
Vote 2: Provincial Parliament	20 007	23 887	28 840	33 300	33 300	32 100	<b>40 681</b>	26.73	42 665	45 215
Vote 3: Provincial Treasury	51 276	60 533	65 421	113 686	108 980	106 927	<b>125 914</b>	17.76	140 077	145 340
Vote 8: Local Government and Housing (Local government)	48 553	65 669	73 275	99 287	108 830	100 054	<b>104 440</b>	4.38	106 431	112 960
<b>Total payments and estimates per cluster</b>	12 506 446	14 497 660	16 352 467	18 278 811	18 657 434	18 467 105	<b>20 612 932</b>	11.62	22 319 267	23 703 170

Table 15 shows that about 56% of provincial expenditure will go to the 'Improved and more accommodating human relations' pillar in each of the MTEF years. This translates into total expenditure of over R37 billion over the MTEF period. These proportions reflect the central role that this Pillar plays in the iKapa Elihlumayo strategy.

A key component of this Pillar is the Provincial Language Policy. Over the MTEF period a total amount of R24,2 billion will be added to what departments already spend on language accessibility to give effect to the Provincial Language policy. Table 16 reflects the allocations per department made in this regard. No further allocations were made to the Provincial Legislature and the Department of Education because these departments have already made arrangements in this regard. Such expenditure in education will be further guided by the Language in Education Policy (LIEP).

**Table 16 Expenditure allocated for the implementation of the Provincial Language Policy**

	2005/06	2006/07	2007/08	Total over the MTEF
Department of the Premier	640	593	623	1 856
Provincial Legislature (existing unit)				
Provincial Treasury	446	390	410	1 246
Community Safety	446	390	410	1 246
Education (existing unit)				
Health	2 303	2 340	2 457	7 099
Social Services and Poverty Alleviation	446	390	410	1 246
Local Government and Housing	892	780	820	2 492
Environmental Affairs and Development Planning	446	390	410	1 246
Transport and Public Works	446	390	410	1 246
Agriculture	446	390	410	1 246
Economic Development	446	390	410	1 246
Cultural Affairs and Sport	1 335	1 324	1 390	4 050
<b>Total</b>	<b>8 294</b>	<b>7 766</b>	<b>8 161</b>	<b>24 221</b>

The second largest slice of the budget goes to the 'Building knowledge and skills' Pillar that is allocated over 30% of expenditure in each of the MTEF years to give a total of R20,32 billion over the 3 year period. These allocations will enable the Department of the Premier and the Department of Education to give effect to the internal and external HRD strategies respectively.

The pinnacle of the iKapa Elihlumayo strategy has to remain improved economic growth and employment rates. To this end the province will increase its expenditure on the 'Economic and spatial improvements' Pillar to between 11% and 12% of the budget over each of the next three years. In total the Province will spend R7,55 billion to this end over the next three years.

Lastly the Province will spend R1,7 billion on the 'Institutional Improvements' Pillar over the next three years. This Pillar's modest share of 2.6% to 2.8% of the budget further confirms the outward-oriented nature of the Province as well as its commitment to service delivery.

If we consider the same expenditure through the lens of whether it is social or non-social expenditure, the following picture emerges:

Social sector expenditure amounts to R16 919,8 million in 2005/06, R18 103.6 million in 2006/07 and R19 378.6 million in 2007/08 and constitutes 82.1% of the total budget in 2005/06, 81.1% in 2006/07 and 81.8% in 2007/08.

Expenditure for the social sector increases by R1 841,9 million (or 12.2% in nominal terms) between 2004/05 and 2005/06, R1 183,7 million (7.0% in nominal terms), between 2005/06 and 2006/07 and R1 275,1 million (7.0% in nominal terms) between 2006/07 and 2007/08.

Budgeted non-social expenditure amounts to R3 693,1 million of total expenditure in 2005/06. This constitutes 17.9% of total personnel expenditure. The budgeted amount grows to R4 324,5 million in 2007/08, causing the share of this type of expenditure to expand to 18.2% in 2006/07. This reflects a shift to investment in the economic sector in terms of the iKapa Elihlumayo strategy.

On a year-on-year basis total budgeted expenditure for non-social sector personnel increases by R493,5 million between 2004/05 and 2005/06 (a growth of 15.4% in nominal terms), R522.6 million to between 2005/06 and 2006/07 (14.2%) and R108.8 million between 2006/07 and 2007/08 (a nominal increase of 2.6%).

## 9. Expenditure by Economic Classification

Table 17 depicts the total budget (excluding direct charges) according to the standard chart of accounts (SCOA). Excluding direct charges, expenditure amounts to R20 612,932 million in 2005/06, R22 319,267 million in 2006/07 and R23 703,170 in 2007/08.

**Table 17 Summary of provincial payments and estimates by economic classification**

Economic classification R'000	Outcome						Medium-term estimate			
	Audited 2001/02	Audited 2002/03	Audited 2003/04				Main appro- p 2004/05	Adjusted appro- p 2004/05	Revised estimate 2004/05	% Change from Revised estimate
				2005/06	2004/05	2006/07				2007/08
Current payments	8 394 916	9 340 129	10 424 498	11 772 319	11 702 375	11 682 954	12 927 726	10.65	14 047 914	14 945 509
Compensation of employees	6 491 207	6 975 291	7 499 182	8 530 785	8 455 270	8 431 603	9 306 794	10.38	10 061 506	10 720 174
Goods and services	1 896 277	2 358 027	2 909 348	3 237 284	3 242 400	3 246 645	3 613 745	11.31	3 978 862	4 217 411
Interest and rent on land	2 752	1 922	2 243	2 503	2 495	2 495	2 588	3.73	2 718	2 854
Financial transactions in assets and liabilities	4 680	4 889	13 039	1 747	2 210	2 211	4 599	108.01	4 828	5 070
Unauthorised expenditure			686							
Transfers and subsidies to	3 380 329	4 334 044	4 985 482	5 500 869	5 760 937	5 605 109	6 241 245	11.35	6 466 909	7 028 582
Provinces and municipalities	276 799	297 403	357 968	306 811	373 150	373 636	393 976	5.44	259 438	263 507
Departmental agencies and accounts	159 196	159 357	204 101	135 425	177 941	176 544	187 204	6.04	171 721	155 217
Universities and technikons	34 291	41 075	42 723	51 090	53 690	53 690	60 083	11.91	63 857	67 159
Public corporations and private enterprises	178	233	541	290	291	295	442	49.83	1 206	2 277
Foreign governments and international organisations	113	100	67	100	100	100	100		110	115
Non-profit institutions	626 728	782 356	851 701	799 700	864 694	866 694	1 018 915	17.56	1 066 990	1 116 872
Households	2 283 024	3 053 520	3 528 381	4 207 453	4 291 071	4 134 150	4 580 525	10.80	4 903 587	5 423 435
Payments for capital assets	731 201	823 487	942 487	1 005 623	1 194 123	1 179 042	1 443 961	22.47	1 804 444	1 729 079
Buildings and other fixed structures	491 144	587 648	693 500	772 501	916 315	912 725	1 146 882	25.65	1 518 518	1 427 996
Machinery and equipment	231 158	233 984	240 854	226 891	259 701	248 200	274 167	10.46	269 597	284 051
Cultivated assets							52		58	110
Software and other intangible assets			5 896	4 131	7 343	7 353	9 460	28.65	5 771	6 322
Land and subsoil assets	8 899	1 855	2 237	2 100	10 764	10 764	13 400	24.49	10 500	10 600
Total economic classification	12 506 446	14 497 660	16 352 467	18 278 811	18 657 434	18 467 105	20 612 932	11.62	22 319 267	23 703 170
Direct charge	10 550	11 340	12 164	13 561	13 561	12 926	14 917	15.40	16 409	17 229
Total economic classification (including direct charge)	12 516 996	14 509 000	16 364 631	18 292 372	18 670 995	18 480 031	20 627 849	11.62	22 335 676	23 720 399



## Compensation of employees

Compensation of employees amounts to R9 306,794 million or 45.2% of total expenditure in 2005/06. It grows by 15.2% nominally to R10 720,174 million in 2007/08. As a share of total expenditure it grows by 0.07 percentage points to 45.2% in 2007/08. Driving the growth in personnel spending is the projected increase in full time equivalent posts. The number of posts is set to expand from a projected amount of 68 503 on 31 March 2005 to 74 615 on 31 March 2008, an absolute increase of 8.9% or 6 112 job opportunities, of which 88.3% will be at Education, Health, Social Services and Poverty Alleviation and Transport and Public Works collectively (1938 at Education, 2290 at Health, 894 at Social Services and Poverty Alleviation and 276 at Transport and Public Works). The unit cost of personnel is also projected to increase from R130 000 to R143 000 over the period from 2005/06 to 2007/08.

**Table 18 Summary of personnel numbers and cost by vote**

Provincial department		As at 31 March 2002	As at 31 March 2003	As at 31 March 2004	As at 31 March 2005	As at 31 March 2006	As at 31 March 2007	As at 31 March 2008
1. Department of the Premier	(numbers) (R'000)	551 81 392	527 91 015	573 97 543	695 109 732	695 131 405	695 138 226	695 147 625
2. Provincial Parliament	(numbers) (R'000)	53 9 356	59 11 139	61 13 529	59 14 358	75 20 763	78 22 971	80 24 490
3. Provincial Treasury	(numbers) (R'000)	202 28 408	170 30 231	171 29 974	174 35 270	239 52 503	312 54 038	312 56 741
4. Community Safety	(numbers) (R'000)	446 38 626	570 52 896	608 68 380	754 89 343	822 103 428	857 108 422	882 113 368
5. Education	(numbers) (R'000)	37 847 3 715 544	37 847 3 959 554	37 828 4 316 446	38 193 4 656 454	38 707 5 021 615	39 331 5 406 150	40 131 5 791 759
6. Health	(numbers) (R'000)	24 885 2 213 463	23 965 2 370 274	23 384 2 444 792	22 876 2 864 201	24 249 3 137 951	25 003 3 411 127	25 166 3 606 542
7. Social Services and Poverty Alleviation	(numbers) (R'000)	1 371 128 503	1 357 146 826	1 583 167 675	2 003 211 972	2 484 269 922	2 685 291 349	2 897 321 564
8. Local Government and Housing	(numbers) (R'000)	336 41 028	346 47 837	400 53 519	477 66 794	623 88 417	623 108 965	623 114 484
9. Environmental Affairs and Development Planning	(numbers) (R'000)	218 22 825	218 31 053	176 30 252	287 40 724	287 53 857	287 58 179	287 61 488
10. Transport and Public Works	(numbers) (R'000)	1 325 103 000	1 370 112 707	1 318 128 633	1 514 156 481	1 778 192 316	1 790 213 002	1 790 220 981
11. Agriculture	(numbers) (R'000)	614 68 296	685 74 492	698 85 401	754 93 694	956 123 429	956 130 259	956 136 876
12. Economic Development	(numbers) (R'000)	56 8 211	56 10 238	124 14 678	124 25 003	203 37 683	203 41 067	203 42 695
13. Cultural Affairs and Sport	(numbers) (R'000)	425 32 555	430 37 029	535 48 360	593 67 577	593 73 505	593 77 751	593 81 561
<b>Total provincial personnel numbers</b>		68 329	67 600	67 459	68 503	71 711	73 413	74 615
Total personnel cost (R'000)		6 491 207	6 975 291	7 499 182	8 431 603	9 306 794	10 061 506	10 720 174
Unit cost (R'000)		95	103	111	123	130	137	144

## Capital

Capital expenditure amounts to R1 444,0 million of the total budget in 2005/06 and grows to R1 804,4 million in 2006/07 before decreasing to R1 729,1 million in 2007/08. As a share of the Provinces budget it constitutes 7.0% in 2005/06, 8.1% in 2006/07 and 7.3% in 2007/08. On a year-on-year basis the total capital expenditure increases by R 264,9 million between 2004/05 and 2005/06 (a nominal increase of 22.5%), R360.5 million between 2005/06 and 2006/07 (a nominal increase of 25.0%) before decreasing by R75,4 million between 2006/07 and 2007/08 (a nominal decrease of 4.2%).

## 10. Expenditure on training

Table 19 provides a summary of provincial expenditure on training per vote. This expenditure is inclusive of training related expenditure, including tuition, travel and accommodation, and bursaries by departments on their own staff in line with the requirements of section 30 of the National Skills Development Levies Act, 1999. In terms of the Act, each public service employer in the national and provincial spheres of government must budget for at least 1% of its payroll (where payroll can be defined as the gross basic salary resorting under the standard chart of account item "compensation of employees") for the training and education of their employees and that it may contribute funds to a Sectoral Education and Training Authority (SETA).

**Table 19 Summary of provincial payments on training by vote**

Public entities R'000	Outcome						Medium-term estimate			
	Audited 2001/02	Audited 2002/03	Audited 2003/04				% Change from Revised estimate			
				Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	2005/06	2004/05	2006/07	2007/08
1. Department of the Premier	5 307	5 507	4 252	4 874	4 429	4 429	5 375	2.46	5 992	5 707
2. Provincial Parliament		64	42	274	274	266	176	26.73	200	220
3. Provincial Treasury	11	599	571	703	425	425	457	17.76	479	503
4. Community Safety	28	125	242	676	195	195	344	4.09	440	480
5. Education	10 991	19 814	31 967	41 700	41 700	41 700	42 771	8.49	45 016	47 313
6. Health	58 631	66 263	73 549	89 192	89 056	81 408	90 508	11.15	96 205	101 882
7. Social Services and Poverty Alleviation			544	595	595	595	659	13.54	725	798
8. Local Government and Housing	1 310	1 389	680	2 905	2 905	2 905	3 121	1.98	3 094	4 094
9. Environmental Affairs and Development Planning	95	460	669	1 107	1 107	1 107	1 389	16.95	1 325	1 466
10. Transport and Public Works	273	1 349	1 824	3 668	3 668	3 668	4 458	27.70	4 511	6 212
11. Agriculture				1 025	1 562	1 575	1 420	5.33	1 490	1 565
12. Economic Development				345	345	345	377	14.71	411	427
13. Cultural Affairs and Sport	154	189	315	567	567	567	677	9.50	763	763
Total provincial payments on training	76 800	95 759	114 655	147 631	146 828	139 185	151 732	9.01	160 651	171 430

Expenditure on provincial training increases by 4,63% from R139,185 million in 2004/05 to R145,632 million in 2005/06. Over the MTEF period expenditure on training is expected to increase nominally by 18,34% to R164,705 million in 2007/08.

Table 19 includes the provision for training of Members of the Provincial Parliament. Important training costs not included in the table are the establishment and other costs related to the –

- Cape Administrative Academy campuses at Kromme Rhee and George which provide Provincial training (Vote 1 – Provincial Administration);
- Community Safety Academy for the training of traffic officers and municipal police (Vote 4 – Community safety), and
- Elsenburg Agricultural Training College (Vote 11 – Agriculture).
- Health professional training, development training and national tertiary services (Vote 6 – Health).

Training expenditure at these facilities has been excluded, as they provide training to learners in addition to those employed by the Provincial Government. In finance year 2005/06, R12,685 million was allocated to the Cape Administrative Academy representing an increase of 9.8%. In the two outer years of the MTEF the budget increases to R13,011 million in 2006/07 and R13,835 million in 2007/08.

The current reporting format however presents a number of problems. Current expenditure on training includes all training related expenditure such as travel and subsistence, which can severely distort the actual amount spent on training. There is currently no way of analysing the quality of training in terms of its direct application to individuals work performance. Lastly, there are no mechanisms in place to regulate the spread of training expenditure between

departments' nor which levels of staff attend training. The emerging internal HRD strategy will address these and other related issues.

## 11. Infrastructure

The quality and extent of infrastructure are primary determinants of the efficiency of business activities and the degree to which the social fabric of our communities is improved to the benefit of all.

The Western Cape has a reasonably well-developed infrastructure and a network of roads which links it to major cities in Africa and the rest of the world by air, sea, road and rail. Infrastructure may be classed as either economic, social or environmental.

The Western Cape Provincial Department of Transport and Public Works has been tasked to develop the Strategic Infrastructure Plan (SIP) that will be the instrument for improving the planning for, and provision of, infrastructure by public sector agencies to support economic growth, labour market participation and general well-being of the Province.

The Western Cape is committed to the continued growth prevalent in the economy and one of the key elements is sound infrastructure delivery and maintenance. National Treasury has recognized the importance thereof and to accelerate infrastructure delivery, is implementing the Infrastructure Delivery Improvement Programme (IDIP), in pilot departments in the Province. The IDIP has three key components: delivery management and guidelines (Toolkit), capacitation strategy for infrastructure delivery, and improvement in reporting and monitoring on infrastructure projects.

**Table 20 Summary of provincial infrastructure payments and estimates by vote**

Departments R'000	MTEF		
	2005/06	2006/07	2007/08
Health	296 805	354 745	379 770
Education	188 972	239 476	271 037
Transport and Public Works	1 105 807	1 487 066	1 383 666
Agriculture	59 848	57 420	71 934
Social Services	7 500	3 000	3 000
<b>Total</b>	<b>1 658 932</b>	<b>2 141 707</b>	<b>2 109 407</b>

**Table 21 Summary of provincial infrastructure per category**

Category R'000	MTEF		
	2005/06	2006/07	2007/08
New Construction	328 131	321 227	316 174
Rehabilitation/Upgrading	492 330	782 459	682 929
Other capital projects	473 806	544 115	574 058
Maintenance	364 665	483 906	536 246
<b>Total Provincial Infrastructure</b>	<b>1 658 932</b>	<b>2 141 707</b>	<b>2 109 407</b>

## **11.1 New construction**

### **Transport and Public Works**

#### **Provincial Buildings**

The department's budget for 2005/06 for this type of expenditure is R23,811 million of which R11, 911 million is allocated for further rationalization of Cape Town offices, which is scheduled to commence in May 2005 and be completed by May 2006. Amounts of R9,5 million and R13,22 million are provided for 2006/07 and 2007/08 respectively.

#### **Roads Infrastructure**

An amount of R50 million has been allocated for 2005/06 of which R20 million will be utilized for the construction of the interchange on C682 Potsdam –Phase 1, whilst R48 million is provided in 2006/07 for the completion of the interchange. Amounts of R15 million each is allocated for the construction of the Granger Link and the roads infrastructure for the intended film studio in Cape Town. Both projects will commence in April 2005 and are scheduled to be completed by March 2006.

#### **Health buildings**

The Department of Health's budget for this purpose in 2005/06 is R21 million of which R3 million is allocated for the construction of a new admission ward at Valkenburg Hospital. R2 million each has also been allocated for the completion of two clinics at Browns Farm and Swellendam. Amounts of R18 million are provided in both the 2006/07 and 2007/08 financial years for a variety of smaller projects (9 in 2006/07 and 7 in 2007/08).

#### **Education buildings**

The Education's Department budget for 2005/06 is R117, 873 million (own funds) of which R20 million has been allocated for 94 new classrooms. Construction will commence in April 2005, whilst additional amounts have been provided for additional classrooms including R40 million in 2006/07 and another R40 million in 2007/08. An amount of R14 million has been allocated for the 2005/06 MTEF for each of the following three secondary schools already in progress, namely the Nomzamo , Mfuleni and the Blue Downs secondary schools.

A gross amount of R 96, 667 million has been provided for both the 2006/07 and 2007/08 MTEF(own funds) for new construction of school and or classrooms.

From the Provincial Infrastructure Grant (PIG) an amount of R53,099 million for 2005/06 is provided for by the Department, of which 2 secondary schools at Philippi East (R9,658 million) and West (R9,021 million) are to be built. Gross amounts of R61,829 million and R80,262 million have been allocated for the 2006/07 and 2007/08 financial years respectively.

#### **Agriculture**

Available from the Provincial Infrastructure Grant (PIG) is R25,832 million, R19, 706 million from CASP and R2, 50 million from the Landcare grant for 2005/06, of which R3,5 million (PIG) is allocated for the construction of an irrigation dam at Wupperthal , which is to be commenced in April 2005. The total PIG allocation for 2006/07 and 2007/08 is R29,772 million and R31,26 million respectively.

#### **Social Services**

An amount of R4, 50 million is allocated for the 2005/06 budget for the construction of local district offices (R2,350 million), construction of which will only commence in April 2005 and the West Coast district office (R2,150 million), which is already in progress.

## **11.2 Rehabilitation/upgrading**

### **Transport and Public Works**

#### **Roads Infrastructure**

An amount of R253,09 million has been allocated for 2005/06 of which the following notable projects have been provided for:

- Surface roads C707.5 N1 rehab-Phase 2: R50 million (commencement date October 2005).
- Surface roads C337.11 George/Outeniqua Pass:R38,280 million (already in progress)
- Surface roads C708.4 N2 rehab.-Phase 2: R21,840 million (commencement date January 2006).
- Gravel roads Bredasdorp/Gansbaai: R30 million (commencement date April 2005).

Gross amounts of R505,240 million have been allocated in 2006/07 and R389,114 million in 2007/08.

## **Community-Based Projects**

The amount of R11,972 million has been allocated for 2005/06 MTEF, of which R2,673 million is provided for the upgrade of access roads and side-walks at Friemersheim-Mossel Bay.

## **Health**

An amount of R55,229 million has been allocated from the Provincial Infrastructure Grant (PIG) and R172,038 million from the Hospital Revitalisation Project (HRP) for 2005/06, of which the following projects are mentioned below: R505,240 million is allocated for 2006/07 and R389,114 million is allocated for 2007/08:

- Worcester Hospital R75,038 million (already in progress)
- Vredenburg Hospital R40 million (already in progress)
- Paarl Hospital R15 million (commencement date April 2005)
- George Hospital - Phase 2C R40 million (already in progress)
- Mowbray Maternity Hospital R19,163 million (commencement date April 2005)

Overall amounts of R61,829 million and R80,262 million have been allocated from the Provincial Infrastructure Grant for 2006/07 and 2007/08 respectively, whilst R202,474 million and R198,987 million have been allocated from the Hospital Revitalisation Grant for 2006/07 and 2007/08 respectively.

## **11.3 Other capital projects:**

### **Transport and Public Works**

#### **Roads Infrastructure**

R339,095 million (PIG and Own funds) is allocated for 2005/06, from which the following notable projects will be undertaken:

Re-gravel of various roads: R112,683 million

Re-seal of various roads: R99,943 million

A provision of R33,531 million for 2007/08, is made for the re-surfacing of C708.6N2 rehabilitation - Phase 3.

#### **Public Transport**

An amount of R117,819 million is provided for in the 2005/06 MTEF, of which R40 million has been allocated to the City of Cape Town Mobility Strategy (Klipfontein Corridor) Phase 1 - already in progress, whilst R119,964 million and R48,696 million are provided for 2006/07 and 2007/08 respectively.

#### **Community-Based Program**

An amount of R16,892 million is allocated in the 2005/06 budget, of which R5 million has been provided for the Expanded Public Works Projects, whilst overall amounts of R15,731 million have been set aside in 2006/07 and 2007/08 for a range of smaller projects.

## **11.4 Maintenance**

### **Transport and Public Works**

#### **Provincial Buildings**

An amount of R30,494 million for the general maintenance of provincial buildings, is allocated for the 2005/06, whilst R42,447 million and R47,010 million have been allocated for 2006/07 and 2007/08 respectively.

#### **Roads Infrastructure**

An amount of R247,656 million is allocated in the 2005/06 budget for the maintenance of roads infrastructure, whilst R261,416 million and R285,096 million have been respectively allocated for 2006/07 and 2007/08.

#### **Community-Based Program**

An amount of R14,977 million is allocated in the 2005/06 for maintenance and R15,621 million and R16,511 million have been allocated in the 2006/07 and 2007/08 respectively.

## Health

An amount of R48,538 million is allocated in 2005/06, of which R15,810 million has been allocated to provincial hospital services and R15 million to central hospital services. For 2006/07 and 2007/08, the amounts of R72,442 million and R82,521 million have been provided respectively.

## Education

An amount of R18 million is allocated in 2005/06, whilst R86,98 million and R100,108 million have been respectively allocated for 2006/07 and 2007/08.

**Table 22 Summary of provincial infrastructure payments and estimates by vote**

Vote R'000	Medium-term estimate		
	2005/06	2006/07	2007/08
1. Department of the Premier			
2. Provincial Parliament			
3. Provincial Treasury			
4. Community Safety			
5. Education	188 972	239 476	271 037
6. Health	296 805	354 745	379 770
7. Social Services and Poverty Alleviation <sup>Note 1</sup>	7 500	3 000	3 000
8. Local Government and Housing			
9. Environmental Affairs and Development Planning			
10. Transport and Public Works	1 105 807	1 487 066	1 383 666
11. Agriculture <sup>Note 2</sup>	59 848	57 420	71 934
12. Economic Development			
13. Cultural Affairs and Sport			
<b>Total provincial infrastructure payments and estimates by vote</b>	<b>1 658 932</b>	<b>2 141 707</b>	<b>2 109 407</b>

Note 1: Detail reflected in table B.6.1 in vote 10 Budget Statement 2.

Note 2: Detail reflected in table B.6.6 in vote 10 Budget Statement 2.

## 12. Public – Private Partnerships

The Province incurs three types of the costs when it provides services through a public private partnership. A unitary charge is paid to the private service provider for the service rendered, and is the main cost. Advisory fees cover the cost of feasibility studies and are paid over to “transactional advisors”. Monitoring costs cover the monitoring required to ensure the contract with the private provider, which includes performance targets, is adhered to. The amounts budgeted to meet these costs are given in the table above; ongoing projects have been separated from the projects which are scheduled to start in 2005/06 and the years after.

**Table 23 Summary of departmental Public-Private Partnership projects**

Project description R'000	Total cost of project			Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	Medium-term estimate			
	Audited	Audited	Audited				% Change from Revised estimate			
	2001/02	2002/03	2003/04				2005/06	2004/05	2005/06	2006/07
<b>Projects under implementation</b>			1 929	3 300	3 930	3 930	45 759	1064.35	43 581	45 500
PPP unitary charge							40 363		42 381	44 500
Advisory fees			873	1 500	1 930	1 930	3 996	107.05		
Revenue generated (if applicable)										
Project monitoring cost			1 056	1 800	2 000	2 000	1 400	(30.00)	1 200	1 000
<b>New projects</b>							2 500		4 500	25 300
PPP unitary charge										20 000
Advisory fees							2 500		4 500	5 300
Revenue generated (if applicable)										
Project monitoring cost										
<b>Total Public-Private Partnership projects</b>			1 929	3 300	3 930	3 930	48 259	1127.96	48 081	70 800

### Projects under implementation

A number of projects have been undertaken by the Health Department in the following locations: Lentegeur (rehabilitation facility); Swellendam Hospital; Hermanus Hospital; Eerste River Hospital. The contracts vary considerably, and are of different lengths.

The construction and maintenance of Chapman's Peak Drive is handled as a PPP project in the form of a concession and managed by the Department of Transport and Public Works. The post implementation phase began in December 2004 in terms of which the Province will only incur monitoring costs.

### New Projects

The Department of Health is planning to commission a number of the new PPPs during 2005/2006 and 2006/2007, including the Western Cape Forensic Psychiatry Services PPP, which is in the process of being registered.

### 13. Summary of transfers to public entities

Total transfers to public entities made to departments are contained in Table 24. Each public entity to which the transfers are made, and the value of the annual transfer is provided in Table 25. Public entities will receive R178.1 million from a range of provincial departments in 2005/06.

**Table 24 Summary of provincial transfers to public entities by transferring departments**

Provincial department R'000	Outcome						Medium-term estimate			
	Audited 2001/02	Audited 2002/03	Audited 2003/04				Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	% Change from Revised estimate
				2005/06	2004/05	2006/07				2007/08
1. Department of the Premier	2 638	3 092	3 262	3 428	3 428	3 428	3 579	4.40	3 772	3 979
2. Provincial Parliament										
3. Provincial Treasury	6 000	4 000	4 700	2 585						
4. Community Safety										
5. Education										
6. Health										
7. Social Services and Poverty Alleviation										
8. Local Government and Housing										
9. Environmental Affairs and Development Planning	51 603	61 861	61 365	62 597	63 462	61 767	71 217	15.30	74 657	67 157
10. Transport and Public Works			14 982		5 000	5 000	17 000	240.00	13 000	5 000
11. Agriculture		7 882	10 186	7 250	20 709	20 709	11 235	( 45.75)	10 350	10 350
12. Economic Development	23 105	7 090	26 802	41 002	66 202	66 202	64 950	( 1.89)	50 600	48 816
13. Cultural Affairs and Sport	6 326	9 716	9 257	9 472	9 472	9 472	10 165	7.32	10 165	10 165
Total departmental transfers to public entities	89 672	93 641	130 554	126 334	168 273	166 578	178 146	6.94	162 544	145 467

In 2005/06, the Western Cape Nature Conservation Board is budgeted to receive R71,2 million, or 41.4% of the total transfers to public entities. This is by far the largest transfer to a public entity for this year. The Western Cape Conservation Board has enjoyed this status for some time, and this will continue into the future. Casidra (Pty) Ltd. receives transfers from three departments totalling almost R28 million. Although Agriculture is the responsible department for this public entity, it receives its largest contribution from Economic Development. Transfers to the Agriculture Research Council are payments made for specific research projects. Furthermore, Transport and Public Works transfers funds to the Independent Development Trust (a major public entity) and to the South African Rail Commuter Corporation (a national government business enterprise). The Western Cape Gambling and Racing Board and the Western Cape Liquor Board have been included in Table 25 for the sake of completeness despite not receiving transfers.



**Table 25 Summary of departmental transfers to public entities by transferring department**

Public entities (transferring department) R'000	Outcome			Main appro- piation 2004/05	Adjusted appro- piation 2004/05	Revised estimate 2004/05	Medium-term estimate		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
<b>Major public entities:</b>									
1. Independent Development Trust: Vote 10: Transport and Public Works					5 000	5 000	5 000	5 000	5 000
<b>National Government Business Enterprises:</b>									
2. South African Rail Commuter Corporation Vote 10: Transport and Public Works			14 982				10 000	5 000	
<b>National public entities:</b>									
3. Agricultural Research Council Vote 11: Agriculture		4 954	5 686	2 750	2 750	2 750	541	350	350
<b>Provincial Government Business Enterprises:</b>									
4. Casidra (Pty) Ltd. Vote 11: Agriculture	13 265	3 678	8 750	14 200	27 659	27 659	27 994	29 800	25 000
Vote 10: Transport and Public Works		2 928	4 500	4 500	17 959	17 959	10 694	10 000	10 000
Vote 12: Economic Development	13 265	750	4 250	9 700	9 700	9 700	15 300	16 800	15 000
<b>Western Cape public entities:</b>									
5. Western Cape Cultural Commission Vote 13: Cultural Affairs and Sport	5 724	9 114	7 855	7 920	7 920	7 920	8 613	8 613	8 613
6. Western Cape Gambling and Racing Board Vote 3: Provincial Treasury	6 000	4 000	4 700	2 585					
7. Western Cape Investment and Trade Promotion Agency (Wesgro) Vote 12: Economic Development	3 500		7 461	6 000	31 200	31 200	23 800	8 800	8 800
8. Western Cape Language Committee Vote 13: Cultural Affairs and Sport	602	602	602	602	602	602	602	602	602
9. Western Cape Liquor Board Vote 12: Economic Development									
10. Western Cape Nature Conservation Board Vote 9: Environmental Affairs and Development Planning	51 603	61 861	61 365	60 902	61 767	61 767	71 216	74 656	67 156
11. Western Cape Provincial Development Council Vote 1: Department of the Premier	2 638	3 092	3 262	3 428	3 428	3 428	3 579	3 772	3 979
12. Western Cape Tourism Board (DMO) Vote 12: Economic Development	6 340	6 340	7 841	20 302	20 302	20 302	25 850	25 000	25 016
13. Western Cape Environmental Commissioner Vote 12: Economic Development			7 250	1 695	1 695		1	1	1
Vote 9: Environmental Affairs and Development Planning				5 000	5 000	5 000			
<b>Not listed in PFMA, but indicated as a public entity in Budget Statement 2:</b>									
14. Heritage Western Cape			800	950	950	950	950	950	950
<b>Total</b>	89 672	93 641	130 554	126 334	168 273	166 578	178 146	162 544	145 467

## 14. Transfers to local government

In terms of section 25(2) of the 2005 Division of Revenue Act (DORA) the Provincial Treasury must publish each provincial department transfer to be made to each municipality, by municipality over the MTEF period. These allocations are tabled in the provincial budget for the first time this year (See Appendix A). This initiative improves the predictability, certainty and transparency of the local government grant system. The initiative also enables the Province to comply with the Municipal Finance Management Act, 2003 (Act 56 of 2003) by publishing transfer amounts at least 90 days before the start of the municipal financial year.

Where possible Appendix A gives the transfer figures by municipality in terms of both the Provincial and Municipal Financial year. This is to enable municipalities to budget effectively and implement three-year budgeting. Although allocations in the outer years, 2006/07 and 2007/08, are indicative, they should only be reduced for exceptional reasons.

Provincial transfers to local government (Table A.5) increase from a revised allocation of R809,8 million in 2004/05 to R826,1 million in 2005/06, decrease by R70,3 million in 2006/07 to R755,8 million and increase once again by R118,7 million to R874,4 million by the end of the MTEF in 2007/08.

The two grants administered by the national Department of Provincial and Local Government and transferred to provinces i.e. the Local Government Capacity Building Fund and the Municipal Infrastructure Grant, to enable the Province to assist municipalities, have been discontinued. These grants will from 1 April 2005, flow directly from the national Department of Provincial and Local Government to municipalities.

Another change relates to the delivery of personal primary health care (PPHC) by municipalities. Prior to the Health Act (Act No. 61 of 2003) municipalities and provinces were concurrently responsible for the provision of primary health care service (excluding environmental health). From 2005 PPHC in non-metro areas will become an exclusive responsibility of provinces. Though the Province currently provides most PPHC services, the Department of Health has been allocated additional funding over the 2005/06 MTEF to enable it to fully deliver on this responsibility in cooperation with the non-metropolitan municipalities. An amount of R65,9 million has been provided additionally to the Department of Health in 2005/06 to do this. Of the total amount available, R100 million will be transferred to municipalities on the basis of the level of the PPHC service it provides. A further R30 million will only be allocated in the adjustments estimate in November 2005 to cater for unforeseen events as the Health Department intends to assume full operational control of these services by that date.

Table 26 provides the total provincial transfers to local government by category of municipality. Provincial transfers to category A municipalities, to the extent that they have been allocated to a particular municipality, decrease from a revised estimate of R499,4 million in 2004/05 to R450,7 million in 2005/06, increase in 2006/07 to R486,8 million and to R612,5 million in 2007/08. For category B municipalities, provincial transfers increase from R239,8 million in 2004/05 to R242,0 million in 2005/06, but decrease in 2006/07 to R191 million and increase to R198 million by the end of the MTEF in 2007/08. Allocations to category C municipalities decrease from R70,5 million in 2004/05 to R32,7 million in 2007/08, mainly due to the fact that the Province takes over full financial responsibility for non-metro PPHC. A number of transfer resources that have yet to be allocated are also presented in Table 26.

**Table 26 Summary of provincial transfers to local government by category**

Departmental transfers R'000	Outcome						Medium-term estimate			
							% Change from Revised estimate			
	Audited	Audited	Audited	Main appro- priation	Adjusted appro- priation	Revised estimate				
	2001/02	2002/03	2003/04	2004/05	2004/05	2004/05	2005/06	2004/05	2006/07	2007/08
Category A	153 556	157 031	202 362	119 937	612 254	499 425	450 717	( 9.75)	486 822	612 494
Category B	49 267	59 138	78 303	92 724	259 132	239 846	242 026	0.91	191 240	197 746
Category C	40 934	43 168	49 025	52 368	66 735	70 529	81 858	16.06	36 204	32 691
Unallocated	334 162	387 549	281 865	436 469	322		51 500		41 500	31 500
Total provincial transfers to local government	577 919	646 886	611 555	701 498	938 443	809 800	826 101	2.01	755 766	874 430

## 15. Provincial payments and estimates by district and local municipality

### Provincial payments and estimates by district and local municipality

Table A.6 provides information on the geographic spending of the Province's budget by municipal area. The levels of economic activity, population density and social conditions appear to be strong determinants of geographic provincial budgeted spending. In 2005/06, 68.2% of provincial spending is budgeted to take place within the boundaries of the City of Cape Town. The distribution of the remaining budgeted spend is as follows: 4.4% in West Coast, 13.3% in Cape Winelands, 2.5% in Overberg, 8.9% in Eden and 2.7% in Central Karoo.

This distribution does not necessarily reflect the distribution of the benefit that flows from provincial spending across municipalities. Although a portion of the budget is spent in one municipal area, it does not mean that the benefit is necessarily felt in that municipal area as recipients of provincial payments may spend it in another area. Furthermore, the service providers might have their headquarters in one municipality, to which payments are made, while they actually provide services in another area.

The Basic Accounting System (BAS) allows the linking of payments for services by provincial department to the geographic areas in which the service is actually delivered. The adjustments to the BAS system that allow this will be rolled out from 1 April 2005. Once fully operational BAS should be able to extract more reliable and accurate information on government spending per municipal area.

### Provincial payments and estimates per cluster by district and local municipality

The Provincial Spatial Development Framework (PSDF), which will be finalised in 2005/06, will provide an overall vision for the evolution of the provincial "space-economy" over the medium to long term. It will indicate the geographic shape of the economy and the settlement system that the Province aims to promote. The PSDF takes its lead from the National Spatial Development Framework (NSDF), which argues that government expenditure should be targetted at areas where economic potential and social need coincide. The NSDF argues that by concentrating economic expenditure in these high potential, high need areas, one does not only increase the probable success of the outcome on the economy, but also reduces the demand for direct poverty alleviation expenditure. This is because proximate poverty can be reduced through the benefits flowing from increased growth and employment.

The PSDF<sup>4</sup> will indicate where in the provincial territory the Province sees economic growth occurring and in what sectors this growth will be, and where. The economic role for small towns<sup>5</sup> will have to be considered in relation to this provincial perspective. The Province will eventually orient its economic investment programme as well as its business support services and economic stimulatory provisions, especially the sector based ones, to give effect to this vision<sup>6</sup>.

The need for spatial development frameworks arise from the realisation that the key socio-economic variables, which determine the Province's delivery response, are unevenly distributed geographically through the Province, and that

<sup>4</sup> The PSDF will translate the NSDF analysis of the economic potential and social need into a finer grained, provincial scale analysis, and apply the national principal of geographically targeting infrastructure investment and other delivery expenditure into high potential, high need areas.

<sup>5</sup> Given that the scope of the PSDF is broader than economic department, the settlement role of small towns will also have to be considered.

<sup>6</sup> The PSDF should also inform the province's social infrastructure investment programme, its targeting of housing subsidies and its social services programmes.

the Province has limited resources for its interventions. To achieve its economic objectives, the government needs to focus its economic spending on areas, which have the highest potential to succeed<sup>7</sup>.

Table 27 shows how the Province's budgeted spending is split across municipal jurisdictional areas by government cluster. For the purposes of this table the provincial departments have been categorised into the following government clusters:

Economic cluster	Social cluster	Governance and administration cluster
Environmental Affairs and Development Planning Transport and Public Work Agriculture Economic Development and Tourism	Education Health Social Services and Poverty Alleviation Local Government and Housing Cultural Affairs and Sport Community Safety	Department of Premier Provincial Parliament Provincial Treasury

According to table 27, in 2005/06 the social cluster spends 86.8%, economic cluster 10.9% and the governance and administration cluster 2.3% of the total provincial budget. A small amount of transfers have yet to be allocated to clusters. The implementation of the PSDF will eventually cause the distribution across metropolitan and district municipalities within the economic and social clusters to shift.

**Table 27 Summary of provincial payments and estimates per cluster by district and local municipality**

Clusters R'000	Outcome						Medium-term estimate			
	Audited 2001/02	Audited 2002/03	Audited 2003/04	Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05				% Change from Revised estimate 2004/05
							2005/06	2006/07	2007/08	
<b>Economic Cluster</b>	1 076 844	1 475 997	1 620 176	1 809 949	1 835 197	1 828 991	<b>2 254 065</b>	2 671 101	2 612 184	23.24
Cape Town Metro	627 810	911 402	786 168	972 992	962 515	961 336	<b>1 146 276</b>	1 287 850	1 334 848	19.24
West Coast District	72 993	92 172	137 581	152 774	175 028	175 028	<b>218 872</b>	276 097	284 142	25.05
Cape Winelands District	199 156	244 920	328 858	294 456	361 247	356 220	<b>380 419</b>	420 861	463 721	6.79
Overberg District	63 653	77 551	86 486	117 314	107 292	107 292	<b>161 753</b>	328 921	166 905	50.76
Eden District	70 969	110 438	192 086	194 250	161 052	161 052	<b>272 070</b>	257 426	250 998	68.93
Central Karoo	42 263	39 514	88 997	78 163	68 063	68 063	<b>74 675</b>	99 946	111 570	9.71
<b>Social Cluster</b>	10 753 369	12 222 659	14 325 094	15 556 623	16 388 993	16 208 123	17 890 827	19 144 619	20 563 458	10.38
Cape Town Metro	7 463 162	8 455 646	9 859 477	10 828 226	11 464 998	11 314 500	<b>12 454 857</b>	13 326 466	14 377 652	10.08
West Coast District	438 625	493 181	591 123	606 429	643 789	625 400	<b>694 276</b>	743 810	791 126	11.01
Cape Winelands District	1 385 926	1 610 487	1 902 088	2 058 714	2 126 031	2 110 601	<b>2 356 197</b>	2 530 705	2 697 027	11.64
Overberg District	219 654	242 211	289 700	286 963	319 637	327 859	<b>344 374</b>	369 932	394 397	5.04
Eden District	979 324	1 093 790	1 291 772	1 333 275	1 393 379	1 377 418	<b>1 552 713</b>	1 651 854	1 747 139	12.73
Central Karoo	266 678	327 344	390 934	443 016	441 159	452 345	<b>488 410</b>	521 852	556 117	7.97
<b>Governance and Administration Cluster</b>	350 372	420 144	407 197	442 950	433 244	429 991	464 707	491 080	514 860	8.07
Note										
Cape Town Metro	338 921	408 707	395 483	430 385	421 693	418 440	<b>452 022</b>	478 069	501 025	8.03
West Coast District										
Cape Winelands District	11 451	11 437	11 714	12 565	11 551	11 551	<b>12 685</b>	13 011	13 835	9.82
Overberg District										
Eden District										
Central Karoo										
<b>Unallocated</b>	325 861	378 860		469 289			3 333	12 467	12 668	
<b>Total payments and estimates per cluster</b>	12 506 446	14 497 660	16 352 467	18 278 811	18 657 434	18 467 105	<b>20 612 932</b>	22 319 267	23 703 170	11.62

Note: Community Safety is excluded from the Governance and Administration cluster and included in the Social cluster and Provincial Parliament is included.

<sup>7</sup> Social spending will also have to be focussed on areas of high potential and high need to ensure that populations are able to respond to the economic potential opened up, and their social needs are met.

Table A.1 Information relating to Section 6.2: Conditional Grants

Vote and grant R'000	2001/02			2002/03			2003/04			2004/05		Medium-term estimate			
	Adjusted appro- priation	Actual transfer	Audited expen- diture	Adjusted appro- priation	Actual transfer	Audited expen- diture	Adjusted appro- priation	Actual transfer	Audited expen- diture	Main appro- priation	Adjusted appro- priation	Revised estimate	2005/06	2006/07	2007/08
<b>Vote 3: Provincial Treasury</b>	225 647	225 647	225 647												
Supplementary allocation	207 647	207 647	207 647												
Other	184 547	184 547	184 547												
Housing: Capacity building	1 100	1 100	1 100												
Transport Transition Act	1 000	1 000	1 000												
Health: Health Management	16 000	16 000	16 000												
Finance: Implementation of	5 000	5 000	5 000												
Public Finance Management Act															
Provincial Infrastructure: Flood															
Damage	18 000	18 000	18 000												
<b>Vote 5: Education</b>	65 400	65 400	58 981	82 987	82 987	81 516	101 810	101 880	101 880	96 064	96 064	96 064	106 562	122 012	143 456
Provincial infrastructure	18 750	18 750	18 750	24 053	24 053	24 053	36 326	36 326	36 326	48 904	48 904	48 904	55 229	61 829	80 263
Financial management and quality enhancement	16 827	16 827	14 966	18 037	18 037	18 037	18 519	18 519	18 519						
Early childhood development	1 659	1 659	727	4 187	4 187	2 716	6 952	6 952	6 952						
HIV and Aids (Lifeskills education) <sup>Note 1</sup>	5 017	5 017	1 391	11 376	11 376	11 376	9 518	9 518	9 518	10 543	10 543	10 543	11 198	11 870	12 464
Disaster management															
Primary school nutrition programme	23 147	23 147	23 147	25 334	25 334	25 334	30 495	30 495	30 495	36 617	36 617	36 617	40 135	48 313	50 729
<b>Subtotal Conditional grants</b>	291 047	291 047	284 628	82 987	82 987	81 516	101 810	101 880	101 880	96 064	96 064	96 064	106 562	122 012	143 456

Note 1: Included in the 2004/05 (Adjusted appropriation) is an amount of R722 000 overspent in 2003/04.

Table A.1 Information relating to Section 6.2: Conditional Grants (continued)

Vote and grant R'000	2001/02			2002/03			2003/04			2004/05		Medium-term estimate		
	Adjusted appro- priation	Actual transfer	Audited expen- diture	Adjusted appro- priation	Actual transfer	Audited expen- diture	Adjusted appro- priation	Actual transfer	Audited expen- diture	Main appro- priation	Adjusted appro- priation	2005/06	2006/07	2007/08
	1 364 604	1 365 432	1 372 780	1 467 022	1 467 022	1 468 967	1 554 421	1 555 421	1 555 421	1 645 171	1 645 171	1 870 576	1 994 555	2 082 486
<b>Vote 6: Health</b>														
Provincial infrastructure	6 250	6 250	6 250	24 052	24 052	24 052	36 324	36 324	36 324	48 903	48 903	55 229	61 829	80 262
Hospital revitalisation	29 000	29 000	42 575	45 000	45 000	46 786	81 939	81 939	81 939	85 217	85 217	172 038	202 474	198 987
National tertiary services	1 011 436	1 011 436	1 011 436	1 047 438	1 047 438	1 047 438	1 076 724	1 076 724	1 076 724	1 104 087	1 104 087	1 214 684	1 272 640	1 322 744
Health Professions training and development	308 776	308 776	308 776	316 364	316 364	316 364	314 696	314 696	314 696	327 210	327 210	323 278	323 278	339 442
Integrated nutrition programme	5 642	5 642	1 309	3 455	3 455	3 455	4 158	4 158	4 158	4 809	4 809	5 288		
Comprehensive HIV and Aids Health	3 500	4 328	2 434	11 713	11 713	11 872	24 204	24 204	24 204	57 962	57 962	82 451	115 670	121 454
Medico-legal							1 000	1 000	1 000					
Hospital management and quality				19 000	19 000	19 000	16 376	16 376	16 376	16 983	16 983	17 608	18 664	19 597
<b>Vote 7: Social Services and Poverty Alleviation</b>	4 142	179 650	1 454	3 290	2 267	57 261	80 289	95 055	95 055	213 436	213 436	4 265 028	4 529 685	4 941 948
Financial management and improvement of social security system	642	642	467	1 200	1 200	1 200								
Child support extension							57 355	72 121	72 121	190 314	190 314			
Social assistance grants												4 002 671	4 251 501	4 639 629
Administration of social assistance grants												236 234	250 839	273 738
Social security backlog		175 508	53 977				2 900	2 900	2 900	3 088	3 088	6 089	6 109	6 283
HIV and Aids (Community-based)	1 000	1 000	983	2 090	1 067	2 084								
Food emergency relief							20 034	20 034	20 034	20 034	20 034	20 034	21 236	22 298
Integrated Social Development Services														
Disaster relief	2 500	2 500	4											
<b>Subtotal Conditional grants</b>	1 368 746	1 545 082	1 374 234	1 470 312	1 469 289	1 526 228	1 634 710	1 650 476	1 650 476	1 858 607	1 858 607	6 135 604	6 524 240	7 024 434

Table A.1 Information relating to Section 6.2: Conditional Grants (continued)

Vote and grant R'000	2001/02			2002/03			2003/04			2004/05			Medium-term estimate		
	Adjusted appro- priation	Actual transfer	Audited expen- diture	Adjusted appro- priation	Actual transfer	Audited expen- diture	Adjusted appro- priation	Actual transfer	Audited expen- diture	Main appro- priation	Adjusted appro- priation	Revised estimate	2005/06	2006/07	2007/08
<b>Vote 8: Local Government and Housing</b>	354 491	354 491	336 368	411 371	417 453	408 741	460 803	460 803	460 803	483 903	483 903	483 903	466 113	533 733	652 362
Housing subsidy	325 861	325 861	328 618	372 778	378 860	378 860	423 282	423 282	423 282	446 035	446 035	446 035	456 740	533 733	652 362
Integrated housing and human settlement development	11 130	11 130	1 860	13 250	13 250	5 804	13 500	13 500	13 500	14 310	14 310	14 310	9 373		
Human resettlement and redevelopment	17 500	17 500	5 890	16 500	16 500	15 376									
Local government support							20 714	20 714	20 714	20 050	20 050	20 050			
Local government capacity building fund				8 843	8 843	8 701	3 307	3 307	3 307	3 508	3 508	3 508			
Provincial project management capacity for Municipal infrastructure (MIG) [previously CMIP]															
<b>Vote 9: Environmental affairs and development planning</b>							2 400	2 400	2 400						
Disaster damage							2 400	2 400	2 400						
<b>Vote 10: Transport and Public Works</b>	20 000	20 000	15 713	38 484	43 322	46 176	67 076	67 076	67 076	81 408	81 708	81 708	92 557	99 557	164 870
Provincial Infrastructure <sup>Note 2</sup>	20 000	20 000	15 713	38 484	43 322	46 176	67 076	67 076	67 076	81 408	81 708	81 708	92 557	99 557	164 870
<b>Vote 11: Agriculture</b>	5 402	5 402	5 599	10 921	6 083	7 802	7 264	9 104	9 104	43 175	52 171	52 171	45 538	53 420	67 934
Land care programme: Poverty relief and infrastructure development	878	878	1 075	1 300	1 300	1 666	1 800	1 800	1 800	3 500	3 796	3 796	2 500	3 000	3 247
Drought relief/Agriculture disaster management grant											9 000	9 000			
Comprehensive Agriculture support programme										13 765	13 765	13 765	17 206	20 648	33 426
Provincial Infrastructure	4 524	4 524	4 524	9 621	4 783	6 136	5 464	7 304	7 304	25 910	25 610	25 610	25 832	29 772	31 261
<b>Vote 13: Cultural affairs and sport</b>										1 000	1 000	1 000	2 670	4 340	4 328
Mass sport and recreation participation programme										1 000	1 000	1 000	2 670	4 340	4 328
<b>Subtotal Conditional grants</b>	379 893	379 893	357 680	460 776	466 858	462 719	535 143	539 383	539 383	609 486	618 782	618 782	606 878	691 050	889 494
<b>Total Conditional grants</b>	2 039 686	2 216 022	2 016 542	2 014 075	2 019 134	2 070 463	2 271 663	2 291 739	2 291 739	2 564 157	2 573 453	2 573 453	6 849 044	7 337 302	8 057 384

Note 2: In 2005/06 an amount of R 2,590 million will be added from PIG savings at vote 11 (compulsory savings from 2004/05).

Table A.2 Details of total provincial own receipts: Information relating to Section 6.3

Receipts R'000	Outcome						Medium-term estimate			
	Audited 2001/02	Audited 2002/03	Audited 2003/04				Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	% Change from Revised estimate
				2005/06	2004/05	2006/07				2007/08
Tax receipts	569 793	665 117	796 968	771 293	791 293	841 351	922 565	9.65	958 426	993 341
Casino taxes	85 630	111 079	132 640	98 000	98 000	147 055	168 281	14.43	176 195	184 505
Motor vehicle licences	455 588	528 636	646 938	658 903	678 903	676 829	731 554	8.09	753 501	776 106
Horseracing	24 795	21 345	13 004	10 300	10 300	13 614	14 000	2.84	14 000	14 000
Other taxes	3 780	4 057	4 386	4 090	4 090	3 853	8 730	126.58	14 730	18 730
Sale of goods and services other than capital assets	155 980	169 079	223 297	191 440	203 208	207 133	225 087	8.67	235 428	242 266
Sales of goods and services produced by department (excluding capital assets)	155 965	169 049	223 294	191 440	203 188	207 085	225 087	8.69	235 428	242 266
Sales by market establishments	11 649	13 886	16 918	16 000	16 000	16 000	18 400	15.00	20 900	20 900
Administrative fees	10 862	17 084	12 725	11 275	11 353	13 511	11 569	( 14.37)	11 799	12 159
Other sales	133 454	138 079	193 651	164 165	175 835	177 574	195 118	9.88	202 729	209 207
Sales of scrap, waste, arms and other used current goods	15	30	3		20	48		( 100.00)		
Transfers received from	10 999	9 696	6 782	8 901	43 925	43 929	62 795	42.95	26 624	17 956
Other governmental units	1 993	551	1 627							
Universities and technikons	8 728	8 808	5 126	8 900	14 500	14 500	9 123	( 37.08)	9 123	9 123
Foreign governments										
International organisations					29 404	29 404	50 671	72.33	17 500	8 832
Public corporations and private enterprises	244	285	29		20	20	3 000	14 900.00		
Households and non-profit institutions	34	52		1	1	5	1	( 80.00)	1	1
Fines, penalties and forfeits	1 807	2 349	1 514	350	350	564	350	( 37.94)	350	350
Interests, dividends and rent on land	190 029	256 159	271 894	94 790	94 790	145 664	114 585	( 21.34)	103 847	114 530
Interest	189 722	255 883	247 980	69 468	69 468	142 379	111 303	( 21.83)	100 605	111 288
Dividends										
Rent on land	307	276	23 914	25 322	25 322	3 285	3 282	( 0.09)	3 242	3 242
Sales of capital assets	2 582	3 784	7 504	24 020	40 714	40 729	24 046	( 40.96)	24 049	24 049
Land and subsoil assets					186	281		( 100.00)		
Other capital assets	2 582	3 784	7 504	24 020	40 528	40 448	24 046	( 40.55)	24 049	24 049
Financial transactions in assets and liabilities	23 780	9 239	22 120	3 938	6 611	38 973	23 418	( 39.91)	23 418	23 418
Total departmental receipts	954 970	1 115 423	1 330 079	1 094 732	1 180 891	1 318 343	1 372 846	4.13	1 372 142	1 415 910



**Table A.3 Details of provincial payments and estimates by economic classification: Information relating to Section 9**

Economic classification R'000	Outcome			Main appro- piation	Adjusted appro- piation	Revised estimate	Medium-term estimate			
	Audited 2001/02	Audited 2002/03	Audited 2003/04				% Change from Revised estimate			
							2005/06	2004/05	2006/07	2007/08
Current payments	8 394 916	9 340 129	10 424 498	11 772 319	11 702 375	11 682 954	12 927 726	10.65	14 047 914	14 945 509
Compensation of employees	6 491 207	6 975 291	7 499 182	8 530 785	8 455 270	8 431 603	9 306 794	10.38	10 061 506	10 720 174
Salaries and wages	5 505 463	5 930 352	6 387 067	7 291 458	7 294 206	7 271 621	8 083 826	11.17	8 739 773	9 315 621
Social contributions	985 744	1 044 939	1 112 115	1 239 327	1 161 064	1 159 982	1 222 968	5.43	1 321 733	1 404 553
Goods and services	1 896 277	2 358 027	2 909 348	3 237 284	3 242 400	3 246 645	3 613 745	11.31	3 978 862	4 217 411
Interest and rent on land	2 752	1 922	2 243	2 503	2 495	2 495	2 588	3.73	2 718	2 854
Interest	342	1								
Rent on land	2 410	1 921	2 243	2 503	2 495	2 495	2 588	3.73	2 718	2 854
Financial transactions in assets and liabilities	4 680	4 889	13 039	1 747	2 210	2 211	4 599	108.01	4 828	5 070
Unauthorised expenditure			686							
Transfers and subsidies to	3 380 329	4 334 044	4 985 482	5 500 869	5 760 937	5 605 109	6 241 245	11.35	6 466 909	7 028 582
Provinces and municipalities	276 799	297 403	357 968	306 811	373 150	373 636	393 976	5.44	259 438	263 507
Provinces	3 809	6 133			1 100	1 100	1 649	49.91	1 984	2 321
Provincial Revenue Funds	3 809	6 133								
Provincial agencies and funds					1 100	1 100	1 649	49.91	1 984	2 321
Municipalities	272 990	291 270	357 968	306 811	372 050	372 536	392 327	5.31	257 454	261 186
Municipalities	272 990	286 906	353 263	304 101	369 340	369 826	390 477	5.58	255 604	259 336
of which										
Regional service council levies	16 382	18 092	19 428	19 981	20 530	21 016	23 209	10.43	24 748	26 071
Municipal agencies and funds		4 364	4 705	2 710	2 710	2 710	1 850	( 31.73)	1 850	1 850
Departmental agencies and accounts	159 196	159 357	204 101	135 425	177 941	176 544	187 204	6.04	171 721	155 217
Social security funds										
Provide list of entities receiving transfers							116		116	116
Hospital Trading Account: Karl Bremer Trading	55 717	58 399	66 408							
CMD Capital Augmentation	7 743	2 392	2 000	2 103	4 103	4 103	2 419	( 41.04)	2 571	2 723
South African Rail			14 982				10 000		5 000	
Commuter										
Western Cape Nature Conservation Board	51 603	61 861	61 365	60 902	61 767	61 767	71 216	15.30	74 656	67 156
Heritage Western Cape			800	950	950	950	950		950	950
Environmental				1 695	1 695		1		1	1
Commissioner										
Independent Development Trust					5 000	5 000	5 000		5 000	5 000
SETA	6 064	4 925	5 139	6 988	5 565	5 863	6 639	13.24	7 106	7 527
Western Cape Cultural Commission	5 724	9 114	7 855	7 920	7 920	7 920	8 497	7.29	7 997	7 997
Western Cape Gambling and Racing Board	6 000	4 000	4 700	2 585						
Western Cape Language Committee	602	602	602	602	602	602	602		602	602
Provincial Development Council	2 638	3 092	3 262	3 428	3 428	3 428	3 579	4.40	3 772	3 979
Casidra (Pty) Ltd	417	3 678	8 750	10 200	23 659	23 659	27 994	18.32	29 800	25 000
Council for Scientific and Industrial Research			7 250	9 000	9 000	9 000		( 100.00)		
Destination Marketing Organisation	22 688	6 340	7 841	20 302	20 302	20 302	25 850	27.33	25 000	25 016
Western Cape Trade & Investment Promotion Agency (Wesgro)			7 461	6 000	31 200	31 200	23 800	( 23.72)	8 800	8 800
Agricultural Research Council		4 954	5 686	2 750	2 750	2 750	541	( 80.33)	350	350

**Table A.3 Details of provincial payments and estimates by economic classification: Information relating to Section 9 (continued)**

Economic classification R'000	Outcome			Main appro- priation	Adjusted appro- priation	Revised estimate	Medium-term estimate						
	Audited 2001/02	Audited 2002/03	Audited 2003/04				% Change from Revised estimate						
							2004/05	2004/05	2004/05	2005/06	2004/05	2006/07	2007/08
Universities and technikons	34 291	41 075	42 723	51 090	53 690	53 690	60 083	11.91	63 857	67 159			
Public corporations and private enterprises	178	233	541	290	291	295	442	49.83	1 206	2 277			
Public corporations	178	151	418	150	151	155	245	58.06	972	1 977			
Subsidies on production													
Other transfers	178	151	418	150	151	155	245	58.06	972	1 977			
Private enterprises		82	123	140	140	140	197	40.71	234	300			
Subsidies on production													
Other transfers		82	123	140	140	140	197	40.71	234	300			
Foreign governments and international organisations	113	100	67	100	100	100	100		110	115			
Non-profit institutions	626 728	782 356	851 701	799 700	864 694	866 694	1 018 915	17.56	1 066 990	1 116 872			
Households	2 283 024	3 053 520	3 528 381	4 207 453	4 291 071	4 134 150	4 580 525	10.80	4 903 587	5 423 435			
Social benefits	1 915 835	2 617 156	3 166 488	3 708 969	3 582 496	3 589 837	4 032 235	12.32	4 280 389	4 670 104			
Other transfers to households	367 189	436 364	361 893	498 484	708 575	544 313	548 290	0.73	623 198	753 331			
Payments for capital assets	731 201	823 487	942 487	1 005 623	1 194 123	1 179 042	1 443 961	22.47	1 804 444	1 729 079			
Buildings and other fixed structures	491 144	587 648	693 500	772 501	916 315	912 725	1 146 882	25.65	1 518 518	1 427 996			
Buildings	232 670	253 003	362 809	330 737	492 370	488 780	459 860	(5.92)	497 110	530 489			
Other fixed structures	258 474	334 645	330 691	441 764	423 945	423 945	687 022	62.05	1 021 408	897 507			
Machinery and equipment	231 158	233 984	240 854	226 891	259 701	248 200	274 167	10.46	269 597	284 051			
Transport equipment	40 586	29 258	11 418	5 061	9 886	9 871	8 991	(8.92)	5 397	11 059			
Other machinery and equipment	190 572	204 726	229 436	221 830	249 815	238 329	265 176	11.26	264 200	272 992			
Cultivated assets							52		58	110			
Software and other intangible assets			5 896	4 131	7 343	7 353	9 460	28.65	5 771	6 322			
Land and subsoil assets	8 899	1 855	2 237	2 100	10 764	10 764	13 400	24.49	10 500	10 600			
Total economic classification	12 506 446	14 497 660	16 352 467	18 278 811	18 657 434	18 467 105	20 612 932	11.62	22 319 267	23 703 170			
Direct charge	10 550	11 340	12 164	13 561	13 561	12 926	14 917	15.40	16 409	17 229			
Total economic classification (including direct charge)	12 516 996	14 509 000	16 364 631	18 292 372	18 670 995	18 480 031	20 627 849	11.62	22 335 676	23 720 399			

Table A.4 Information relating to section 13: Public entities: Summary of payment and receipts

Payment and receipts R'000	Outcome						Medium-term estimate			
	Audited 2001/02	Audited 2002/03	Audited 2003/04	Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	% Change from Revised estimate			
							2005/06	2004/05	2006/07	2007/08
<b>Receipts</b>										
<b>Tax receipts</b>	6 375	8 142	5 663	6 500	6 500	9 269	<b>9 622</b>	3.81	9 352	9 900
<b>Non-tax receipts</b>	108 083	112 476	120 096	51 760	3 343	40 606	<b>46 238</b>	13.87	42 119	33 368
Sale of goods and services other than capital assets	17 647	50 673	54 258	25 142	1 180	17 862	<b>18 667</b>	4.51	20 544	21 223
Of which:										
Admin fees	14 555	47 068	51 034	12 861	500	11 461	<b>12 825</b>	11.90	14 482	16 739
Interest	3 092	3 605	3 224	12 281	680	6 401	<b>5 842</b>	(8.73)	6 062	4 484
Other non-tax revenue	90 436	61 803	65 838	26 618	2 163	22 744	<b>27 571</b>	21.22	21 575	12 145
<b>Transfers received</b>	97 672	93 014	111 326	125 084	139 092	155 869	<b>179 747</b>	15.32	127 045	168 557
<b>Sale of capital assets</b>	141	215	100			230		(100.00)		
<b>Total receipts</b>	<b>212 271</b>	<b>213 847</b>	<b>237 185</b>	<b>183 344</b>	<b>148 935</b>	<b>205 974</b>	<b>235 607</b>	14.39	178 516	211 825
<b>Payments</b>										
<b>Current payment</b>	151 069	161 740	174 962	220 529	98 956	221 368	<b>258 807</b>	16.91	264 952	258 763
Compensation of employees	69 704	81 547	77 463	78 042	33 139	83 486	<b>100 667</b>	20.58	105 222	107 104
Use of goods and services	77 529	76 487	92 958	138 856	63 767	134 358	<b>154 236</b>	14.80	155 610	147 177
Depreciation	2 262	2 229	2 952	2 638	1 057	3 378	<b>3 832</b>	13.44	4 040	4 393
Unauthorised expenditure										
Interest, dividends and rent on land	1 574	1 477	1 589	993	993	146	<b>72</b>	(50.68)	80	89
<b>Transfers and subsidies</b>	5 615	9 015	11 277	12 833		12 833	<b>8 498</b>	(33.78)	6 913	6 913
<b>Total payments</b>	<b>156 684</b>	<b>170 755</b>	<b>186 239</b>	<b>233 362</b>	<b>98 956</b>	<b>234 201</b>	<b>267 305</b>	14.13	271 865	265 676
<b>Surplus/(Deficit)</b>	<b>55 587</b>	<b>43 092</b>	<b>50 946</b>	<b>( 50 018 )</b>	<b>49 979</b>	<b>( 28 227 )</b>	<b>( 31 698 )</b>	12.30	( 93 349 )	( 53 851 )
<b>Cash flow summary</b>										
Adjust surplus/(deficit) for accrual transactions	( 3 436 )	1 484	( 1 491 )	1 956	456	1 896	<b>2 727</b>	43.83	3 052	3 353
<b>Operating surplus/(deficit) before changes in working capital</b>	<b>52 151</b>	<b>44 576</b>	<b>49 455</b>	<b>( 48 062 )</b>	<b>50 435</b>	<b>( 26 331 )</b>	<b>( 28 971 )</b>	10.03	( 90 297 )	( 50 498 )
Changes in working capital	( 491 )	3 000	15 046	8 533	4 784	8 907	<b>3 498</b>	(60.73)	8 919	6 324
<b>Cash flow from operating activities</b>	<b>51 660</b>	<b>47 576</b>	<b>64 501</b>	<b>( 39 529 )</b>	<b>55 219</b>	<b>( 17 424 )</b>	<b>( 25 473 )</b>	46.20	( 81 378 )	( 44 174 )
Transfers from government	65 925	77 909	79 724	83 404	66 147	16 527	<b>84 486</b>	411.20	86 955	75 955
Of which:										
Capital	51 909	62 306	61 416	61 892	62 757	990	71 216	7093.54	74 656	67 156
Current	14 016	15 603	18 308	21 512	3 390	15 537	13 270	(14.59)	12 299	8 799
<b>Cash flow from investing activities</b>	<b>( 543 )</b>	<b>( 2 112 )</b>	<b>111</b>	<b>( 440 )</b>	<b>1 922</b>	<b>699</b>	<b>1 098</b>	57.08	( 1 455 )	( 741 )
<b>Acquisition of assets</b>	<b>( 1 906 )</b>	<b>( 2 982 )</b>	<b>( 3 215 )</b>	<b>( 758 )</b>	<b>1 402</b>	<b>266</b>	<b>568</b>	113.53	( 1 985 )	( 1 271 )
<b>Other flows from investing activities</b>	<b>1 363</b>	<b>870</b>	<b>3 326</b>	<b>318</b>	<b>520</b>	<b>433</b>	<b>530</b>	22.40	530	530
<b>Cash flow from financing activities</b>	<b>1 291</b>	<b>1 561</b>	<b>( 255 )</b>	<b>( 1 218 )</b>	<b>( 1 218 )</b>	<b>( 320 )</b>	<b>( 590 )</b>	84.38	( 600 )	( 750 )
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>52 408</b>	<b>47 025</b>	<b>64 357</b>	<b>( 41 187 )</b>	<b>55 923</b>	<b>( 17 045 )</b>	<b>( 24 965 )</b>	46.47	( 83 433 )	( 45 665 )

Table A.4 Information relating to section 13: Public entities: Summary of payment and receipts (continued)

Payment and receipts R'000	Outcome						Medium-term estimate			
	Audited 2001/02	Audited 2002/03	Audited 2003/04	Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	% Change from Revised estimate			
							2005/06	2004/05	2006/07	2007/08
Balance sheet information										
Carrying value of assets	10 788	11 145	12 904	10 729	3 000	14 087	16 591	17.78	15 946	15 832
Long term investments	3 763	5 411	6 381			2 610	2 640	1.15	2 640	2 680
Cash and cash equivalents	41 400	40 722	48 129	29 102	6 615	39 715	43 671	9.96	35 105	35 262
Receivables and prepayments	13 376	12 876	10 246	9 747	2 422	8 268	9 200	11.27	10 180	11 235
Inventory	1 467	1 395	1 482	1 000		770	800	3.90	880	968
Total assets	140 121	141 703	156 802	100 156	24 074	130 130	145 004	11.43	130 720	130 986
Capital and reserves	98 125	151 999	208 750	142 208	206 796	222 110	210 117	(5.40)	169 109	148 697
Borrowings	1 782	443	1 188	1 078		1 045	965	(7.66)	935	975
Post retirement benefits		973	2 667	2 667		3 513	4 216	20.01	5 059	6 070
Trade and other payables	19 307	17 326	19 634	12 393	844	15 569	16 177	3.91	16 313	17 036
Provisions	6 996	6 945	7 772	7 785	700	7 999	8 372	4.66	8 712	9 124
Funds managed (eg Poverty Alleviation Fund)	1 392	1 352	1 840	2 000	2 000	1 600	2 500	56.25	2 500	2 500
Total liabilities	229 122	333 013	458 626	336 396	419 812	479 325	461 388	(3.74)	382 698	346 446
Contingent liabilities	17 249	16 966	14 097	14 057		13 907	13 057	(6.11)	12 000	10 000

**Table A.5 Information relating to section 14: Transfers to local government by transfers/grant type, category and municipality**

Municipalities R'000	Outcome						Medium-term estimate			
	Audited 2001/02	Audited 2002/03	Audited 2003/04				% Change from Revised estimate			
				Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	2005/06	2004/05	2006/07	2007/08
Category A	153 556	157 031	202 362	119 937	612 254	499 425	450 717	( 9.75)	486 822	612 494
City of Cape Town	153 556	157 031	202 362	119 937	612 254	499 425	450 717	( 9.75)	486 822	612 494
Category B	49 267	59 138	78 303	92 724	259 132	239 846	242 026	0.91	191 240	197 746
Beaufort West	2 694	1 819	4 067	3 907	7 330	8 512	4 241	( 50.18)	3 036	3 097
Bergrivier	643	1 045	1 752	1 360	7 484	5 914	4 229	( 28.49)	3 902	4 088
Bitou	2 804	2 197	2 712	4 400	6 571	10 785	11 710	8.58	9 370	9 787
Breede River/Winelands	1 704	1 433	2 242	4 204	9 634	7 657	7 318	( 4.43)	6 511	6 809
Breede Valley	2 188	2 166	9 198	8 381	21 628	20 865	20 383	( 2.31)	16 032	16 901
Cape Agulhas	669	697	727	1 721	3 267	4 415	4 343	( 1.63)	3 469	3 581
Cederberg	338	729	1 312	1 404	3 971	1 674	4 964	196.54	2 422	2 520
Drakenstein	4 345	4 571	5 633	6 989	27 234	28 775	20 603	( 28.40)	15 293	16 112
George	6 933	8 624	8 164	9 506	27 275	17 955	26 375	46.90	12 239	10 697
Kannaland	1 265	504	1 095	1 089	2 666	1 490	2 466	65.50	2 306	2 348
Knysna	1 854	2 138	3 145	4 906	10 677	17 809	11 939	( 32.96)	9 233	9 643
Laingsburg	29	285	1 144	2 629	4 110	4 787	2 451	( 48.80)	3 326	3 406
Langeberg	3 135	2 548	3 363	4 382	7 889	6 135	4 658	( 24.07)	5 249	5 444
Matzikama	658	2 051	2 488	1 920	4 611	5 447	2 684	( 50.73)	2 465	2 566
Mossel Bay	3 402	2 944	3 275	4 637	11 443	7 324	12 799	74.75	6 332	6 593
Oudtshoorn	1 358	4 165	2 037	3 552	15 718	8 466	9 160	8.20	8 730	9 014
Overstrand	2 509	2 823	5 413	5 052	13 803	11 614	6 525	( 43.82)	5 897	6 155
Prince Albert	322	539	722	1 179	1 925	6 042	3 245	( 46.29)	1 560	1 593
Saldanha Bay	2 059	1 770	3 193	6 120	15 844	9 564	8 618	( 9.89)	7 418	6 068
Stellenbosch	4 528	3 056	4 577	4 061	18 664	15 937	17 397	9.16	15 431	16 256
Swartland	2 579	6 013	3 366	3 097	10 794	5 348	4 267	( 20.21)	3 587	3 744
Swellendam	1 210	839	1 824	1 800	3 725	11 232	3 252	( 71.05)	4 464	4 636
Theewaterskloof	1 475	4 720	3 849	4 043	16 223	18 947	13 849	( 26.91)	12 377	13 024
Witzenberg	566	1 462	3 005	2 385	6 646	3 152	4 982	58.06	5 271	5 494
Unallocated							29 568		25 319	28 168
Category C	40 934	43 168	49 025	52 368	66 735	70 529	81 858	16.06	36 204	32 691
Cape Winelands	5 443	10 358	10 587	17 701	23 387	22 157	19 094	( 13.82)	5 395	5 179
Central Karoo	3 765	4 767	4 771	5 123	7 107	13 469	7 321	( 45.65)	5 521	4 981
Eden	9 282	10 391	14 946	9 869	11 305	10 440	14 793	41.70	5 224	4 447
Overberg	8 575	8 041	8 284	9 128	10 399	10 399	10 787	3.73	4 282	4 128
West Coast	13 719	9 611	10 437	10 547	14 537	14 064	16 931	20.39	5 051	3 224
Unallocated	150						12 932		10 732	10 732
Unallocated	334 162	387 549	281 865	436 469	322		51 500		41 500	31 500
Total transfers to local government	577 919	646 886	611 555	701 498	938 443	809 800	826 101	2.01	755 766	874 430

Note: Excludes regional services council levy and discontinued transfers.

**Table A.6 Information relating to section 15: Provincial payments and estimates by district and local municipality**

Municipalities R'000	Outcome						Medium-term estimate			
	Audited 2001/02	Audited 2002/03	Audited 2003/04				% Change from Revised estimate			
				Main appro- piation 2004/05	Adjusted appro- piation 2004/05	Revised estimate 2004/05	2005/06	2004/05	2006/07	2007/08
Cape Town Metro	8 429 893	9 775 755	11 041 128	12 231 603	12 849 206	12 694 276	14 053 155	10.70	15 092 385	16 213 525
West Coast Municipalities	511 618	585 353	728 704	759 203	818 817	800 428	913 148	14.08	1 019 907	1 075 268
Matzikama	129 169	155 412	184 805	205 527	205 437	206 272	227 748	10.41	243 906	259 967
Cederberg	54 980	60 541	67 723	72 200	78 634	73 326	84 259	14.91	87 585	93 456
Bergrivier	38 812	42 669	50 205	49 618	56 813	55 243	57 033	3.24	61 554	65 830
Saldanha Bay	84 189	92 842	124 374	110 706	122 675	116 248	128 444	10.49	139 048	146 483
Swartland	112 975	122 186	141 584	158 739	173 516	168 070	181 587	8.04	195 127	208 180
West Coast DMA	455	400	1 262							
West Coast District Municipality	21 928	28 922	29 793	31 393	31 942	31 469	47 943	52.35	52 517	56 285
Unallocated	69 109	82 381	128 958	131 020	149 800	149 800	186 134	24.26	240 170	245 067
Cape Winelands Municipalities	1 596 533	1 866 844	2 242 660	2 365 735	2 498 829	2 478 372	2 749 301	10.93	2 964 577	3 174 583
Witzenberg	98 566	106 919	122 040	128 242	138 227	131 067	144 717	10.41	155 987	166 560
Drakenstein	315 843	343 164	400 433	410 894	445 044	444 063	487 116	9.70	524 163	558 596
Stellenbosch	157 989	171 522	192 928	346 025	381 290	373 519	390 274	4.49	416 989	448 585
Breede Valley	267 416	294 088	321 625	347 572	379 600	378 655	425 322	12.32	456 928	486 218
Breede River/Winelands	96 833	105 036	129 037	128 267	136 803	134 433	144 476	7.47	155 666	166 137
Breede River DMA	446 677	587 114	728 099	841 012	810 865	810 865	914 756	12.81	979 400	1 043 796
Cape Winelands District Municipality	22 533	38 601	40 877	41 743	46 760	45 530	49 372	8.44	57 224	61 905
Unallocated	190 676	220 400	307 621	121 979	160 240	160 240	193 268	20.61	218 220	242 786
Overberg Municipalities	283 307	319 762	376 186	404 277	426 929	435 151	506 127	16.31	698 853	561 302
Theewaterskloof	93 505	102 564	125 975	121 619	137 181	139 850	147 356	5.37	158 260	168 939
Overstrand	44 647	48 642	58 651	65 240	72 035	69 837	79 713	14.14	85 468	91 354
Cape Agulhas	34 013	37 269	41 306	45 262	47 681	47 929	51 240	6.91	55 210	58 903
Swellendam	29 893	32 257	49 477	42 272	55 479	62 982	61 937	( 1.66)	66 313	70 752
Overberg DMA				50	50	50		( 100.00)		
Overberg District Municipality	20 945	29 216	21 035	32 733	24 260	24 260	27 569	13.64	30 517	32 527
Unallocated	60 304	69 814	79 742	97 100	90 243	90 243	138 312	53.27	303 085	138 827
Eden Municipalities	1 050 293	1 204 228	1 483 858	1 527 525	1 554 431	1 538 470	1 773 283	15.26	1 867 780	1 966 637
Kannaland	33 136	35 602	40 440	44 329	48 867	45 151	47 952	6.20	50 100	53 491
Langeberg	59 327	64 969	73 606	77 924	84 735	82 595	90 308	9.34	97 162	103 659
Mossel Bay	92 928	100 984	139 044	122 007	131 795	127 676	141 540	10.86	151 964	161 918
George	410 533	484 231	582 659	648 916	652 254	642 934	721 322	12.19	773 569	823 921
Oudtshoorn	274 911	288 432	314 784	322 081	339 295	332 035	345 534	4.07	371 004	395 704
Bitou	27 267	29 880	32 830	35 843	38 478	42 692	44 965	5.32	48 215	51 474
Knysna	68 753	74 925	91 656	89 743	99 177	106 308	110 550	3.99	117 990	125 690
Eden DMA			831							
Eden District Municipality	18 548	29 984	28 744	27 292	30 440	29 689	33 886	14.14	38 778	41 661
Unallocated	64 890	95 220	179 264	159 389	129 390	129 390	237 226	83.34	218 998	209 119
Central Karoo Municipalities	308 941	366 858	479 931	521 179	509 222	520 408	563 085	8.20	621 798	667 687
Laingsburg	9 179	10 612	13 089	14 714	15 991	16 641	16 857	1.30	17 750	18 853
Prince Albert	15 315	16 524	18 317	19 747	21 238	25 230	22 976	( 8.93)	23 772	25 370
Beaufort West	230 630	287 756	347 987	399 519	393 948	394 130	438 030	11.14	468 800	499 855
Central Karoo DMA			12 595	130	130	130		( 100.00)		
Central Karoo District Municipality	12 729	15 878	2 335	16 446	17 398	23 760	20 108	( 15.37)	21 860	23 233
Unallocated	41 088	36 088	85 608	70 623	60 517	60 517	65 114	7.60	89 616	100 376
Unallocated	325 861	378 860		469 289			54 833		53 967	44 168
Total provincial expenditure by district and local municipality	12 506 446	14 497 660	16 352 467	18 278 811	18 657 434	18 467 105	20 612 932	11.62	22 319 267	23 703 170

Table A.7 Summary of provincial payments and estimates by policy area

Public entities R'000	Outcome						Medium-term estimate			
	Audited 2001/02	Audited 2002/03	Audited 2003/04				Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	% Change from Revised estimate
				2005/06	2004/05	2006/07				2007/08
General public services	381 961	468 869	461 753	505 200	507 287	495 799	513 332	3.54	532 882	558 282
Public order and safety	53 440	73 968	79 477	91 491	99 081	99 081	98 062	( 1.03)	99 503	104 392
Economic affairs	1 006 944	1 382 876	1 525 710	1 719 229	1 738 005	1 732 495	2 138 658	23.44	2 561 412	2 503 751
Environmental protection	92 660	120 470	120 622	135 035	137 417	135 721	158 720	16.95	162 242	162 581
Housing and community amenities	390 586	445 169	384 300	579 570	741 421	567 629	599 097	5.54	678 409	804 877
Health	3 708 061	3 958 378	4 556 799	4 946 270	5 175 829	5 175 829	5 755 438	11.20	6 147 504	6 502 847
Recreation, culture and religion	89 859	108 478	134 477	155 339	156 239	153 239	167 799	9.50	168 185	176 571
Education	4 402 227	4 810 615	5 314 129	5 658 712	5 781 112	5 781 112	6 271 760	8.49	6 781 223	7 256 291
Social protection	2 391 258	3 140 177	3 787 364	4 501 526	4 334 604	4 339 126	4 924 983	13.50	5 204 316	5 650 807
Total departmental transfers to public entities	12 516 996	14 509 000	16 364 631	18 292 372	18 670 995	18 480 031	20 627 849	11.62	22 335 676	23 720 399

Table A.8 Payments table summary by policy area

GFS function	Category	Department	Programme
General public services	Legislative	Provincial Administration	1.1 Office of the Premier
		Provincial Parliament	2.1 Administration 2.2 Remuneration of Provincial Office Bearers 2.3 Parliamentary services (Operational and institutional support)
	Financial and Fiscal Affairs	Provincial Treasury	3.1 Administration 3.2 Sustainable resource 3.3 Asset liabilities 3.4 Financial governance
	General Services	Provincial Administration	1.2 Provincial co-ordination 1.3 Centre for E-innovation 1.4 Corporate services 1.5 Legal services 1.6 Office of the Director-General 1.7 Financial management 1.8 Personnel management and administration
		Local Government and Housing	8.3 Local governance
Public order and safety	Police services	Community Safety	4.1 Administration 4.2 Provincial secretariat for safety and security 4.3 Safety promotion
Economic affairs	General economic	Economic Development	12.1 Administration 12.2 Economic participation 12.3 Economic stimulation 12.4 Fair business environment 12.5 Economic sector development (exclude Tourism)
	Agriculture	Agriculture	11.1 Administration 11.2 Sustainable resource management 11.3 Farmer support and development 11.4 Veterinary services 11.5 Technology research and 11.6 Agricultural economics 11.7 Structured agricultural training
			10.2.4 Agriculture (Public works)
			10.1 Administration 10.2.1 Programme support 10.2.6 Other infrastructure 10.2.7 Property management 10.3 Roads infrastructure 10.4 Public transport 10.5 Traffic management 10.6 Community based public works programme
	Transport	Transport and Public Works	
	Communication	Community Safety Economic Development	4.4 Traffic management 12.5.5 Tourism including development 12.5.6 Destination Marketing Organisation



Table A.8 Payments table summary by policy area (continued)

GFS function	Category	Department	Programme
Environmental protection	Environmental protection	Environmental Affairs and Development Planning	9.1 Administration 9.2 Environmental and land management 9.3 Environmental and land planning
Housing and Community Amenities	Housing development	Local Government and Housing	8.1 Administration 8.2 Housing 8.4 Development and Planning
Health	Health n.e.c	Health	6.1 Administration 10.2.2 Health (public works)
	Outpatient service		6.2 District health services
	R & D Health (CS)		6.6 Health sciences and training
	Hospital services		6.3 Emergency medical services 6.4 Provincial hospital services 6.5 Central hospital services 6.7 Health care support services 6.8 Health facilities management
Recreation culture and religion	Recreational and sporting services	Cultural Affairs and Sport	13.4 Sport and recreation
Education	Cultural services	Cultural Affairs and Sport	13.1 Administration 13.2 Cultural affairs 13.3 Library and information services
	Pre-primary and primary education	Education	5.2.1 Public primary schools 5.7 Early childhood development
	Secondary education		5.2.2 Public secondary schools
	Subsidiary service to education		5.3 Independent school subsidies
	Education not definable		5.1 Administration 5.2.3 Professional services 5.2.4 Human resource development 5.2.5 National school nutrition 5.4 Public special school education 5.5 Further education and training 5.6 Adult basic education training 5.8 Auxiliary associated services 10.2.3 Education (Public works)
Social protection	Social security services	Social Services and Poverty Alleviation	7.1 Administration 7.2 Social assistance grants 7.3 Social welfare services 7.4 Development and support services 7.5 Population development and demographic trends 10.2.5 Social development (Public Works)

Table A.9 Details of provincial payments and estimates by policy area

GFS function R'000	Outcome			Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	Medium-term estimate		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
<b>FUNCTION - GENERAL PUBLIC SERVICES</b>									
<b>Category - Legislative</b>									
Department of the Premier (Programme 1.1)	7 449	11 631	14 566	13 075	14 555	14 555	18 591	19 172	20 119
Provincial Parliament (Vote 2 plus direct charge)	30 557	35 227	41 004	46 861	46 861	45 026	55 598	59 074	62 444
<b>Total for Category - Legislative</b>	38 006	46 858	55 570	59 936	61 416	59 581	74 189	78 246	82 563
<b>Category - Financial and fiscal affairs</b>									
Department of Provincial Treasury (Vote 3)	51 276	60 533	65 421	113 686	108 980	106 927	125 914	140 077	145 340
<b>Total for Category - Financial and fiscal affairs</b>	51 276	60 533	65 421	113 686	108 980	106 927	125 914	140 077	145 340
<b>Category - General services</b>									
Provincial Administration (Programme 1.2 to 1.8)	271 640	324 093	298 370	282 889	276 409	276 409	279 521	289 166	304 186
Department of Local government and Housing (Programme 8.3)	21 039	37 385	42 392	48 689	60 482	52 882	33 708	25 393	26 193
<b>Total for Category - General services</b>	292 679	361 478	340 762	331 578	336 891	329 291	313 229	314 559	330 379
<b>TOTAL FOR FUNCTION - GENERAL PUBLIC SERVICES</b>	381 961	468 869	461 753	505 200	507 287	495 799	513 332	532 882	558 282
<b>FUNCTION - PUBLIC ORDER AND SAFETY</b>									
<b>Category - Police services</b>									
Department of Community Safety (Programmes 4.1, 4.2 and 4.3)	53 440	73 968	79 477	91 491	99 081	99 081	98 062	99 503	104 392
<b>Total for Category - Police services</b>	53 440	73 968	79 477	91 491	99 081	99 081	98 062	99 503	104 392
<b>TOTAL FOR FUNCTION - PUBLIC ORDER AND SAFETY</b>	53 440	73 968	79 477	91 491	99 081	99 081	98 062	99 503	104 392
<b>FUNCTION - ECONOMIC AFFAIRS</b>									
<b>Category - General economic</b>									
Department of Economic Development (Vote 12 exclude 12.5.6 and 12.6.6)	22 977	19 796	102 315	91 632	99 740	99 740	112 230	151 046	164 993
<b>Total for Category - General economic</b>	22 977	19 796	102 315	91 632	99 740	99 740	112 230	151 046	164 993
<b>Category - Agriculture</b>									
Department of Agriculture (Vote 11 and sub-programme 10.2.4)	118 523	136 587	176 976	242 081	251 638	247 128	252 495	255 783	277 834
<b>Total for Category - Agriculture</b>	118 523	136 587	176 976	242 081	251 638	247 128	252 495	255 783	277 834

Table A.9 Details of provincial payments and estimates by policy area (continued)

GFS function R'000	Outcome			Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	Medium-term estimate		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
<b>Category - Transport</b>									
Department of Transport and Public Works (Programmes 10.1, 10.3, 10.4, 10.5 and 10.6 and sub-programmes 10.2.1, 10.2.6 and 10.2.7)	793 916	1 058 884	1 164 269	1 285 907	1 291 008	1 291 008	1 665 353	2 046 340	1 945 111
Department of Community Safety (Programme 4.4)	43 690	44 783	61 710	72 913	68 823	67 823	75 662	74 726	78 097
<b>Total for Category - Transport</b>	837 606	1 103 667	1 225 979	1 358 820	1 359 831	1 358 831	1 741 015	2 121 066	2 023 208
<b>Category - Communication</b>									
Department of Economic Development (Sub-programme 12.5.5. and 12.5.6)	27 838	122 826	20 440	26 696	26 796	26 796	32 918	33 517	37 716
<b>Total for Category - Communication</b>	27 838	122 826	20 440	26 696	26 796	26 796	32 918	33 517	37 716
<b>TOTAL FOR FUNCTION - ECONOMIC AFFAIRS</b>	1 006 944	1 382 876	1 525 710	1 719 229	1 738 005	1 732 495	2 138 658	2 561 412	2 503 751
<b>FUNCTION - ENVIRONMENTAL PROTECTION</b>									
<b>Category - Environmental protection</b>									
Department of Environmental Affairs and development Planning (Vote 9)	92 660	120 470	120 622	135 035	137 417	135 721	158 720	162 242	162 581
<b>Total for Category - Environmental protection</b>	92 660	120 470	120 622	135 035	137 417	135 721	158 720	162 242	162 581
<b>TOTAL FOR FUNCTION - ENVIRONMENTAL PROTECTION</b>	92 660	120 470	120 622	135 035	137 417	135 721	158 720	162 242	162 581
<b>FUNCTION - HOUSING AND COMMUNITY AMENITIES</b>									
<b>Category - Housing development</b>									
Department of Housing (Programmes 8.1, 8.2 and 8.4)	390 586	445 169	384 300	579 570	741 421	567 629	599 097	678 409	804 877
<b>Total for Category - Housing development</b>	390 586	445 169	384 300	579 570	741 421	567 629	599 097	678 409	804 877
<b>TOTAL FOR FUNCTION - HOUSING AND COMMUNITY AMENITIES</b>	390 586	445 169	384 300	579 570	741 421	567 629	599 097	678 409	804 877

Table A.9 Details of provincial payments and estimates by policy area (continued)

GFS function R'000	Outcome			Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	Medium-term estimate		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
<b>FUNCTION - HEALTH</b>									
<b>Category - Health n.e.c.</b>									
Department of Health (Programme 6.1 and sub- programme 10.2.2)	129 629	128 629	225 139	226 992	231 302	231 302	208 553	221 740	234 960
<b>Total for Category - Health n.e.c.</b>	129 629	128 629	225 139	226 992	231 302	231 302	208 553	221 740	234 960
<b>Category - Outpatient service</b>									
Department of Health Services (Programme 6.2)	927 968	993 592	1 144 699	1 284 709	1 317 462	1 317 462	1 611 684	1 704 433	1 793 938
<b>Total for Category - Outpatient service</b>	927 968	993 592	1 144 699	1 284 709	1 317 462	1 317 462	1 611 684	1 704 433	1 793 938
<b>Category - R &amp; D Health (CS)</b>									
Department of Health Services (Programme 6.6)	58 132	65 381	71 116	74 954	75 058	75 058	83 648	88 917	94 163
<b>Total for Category - R &amp; D Health (CS)</b>	58 132	65 381	71 116	74 954	75 058	75 058	83 648	88 917	94 163
<b>Category - Hospital services</b>									
Department of Health Services (Programmes 6.3, 6.4, 6.5 and 6.7 and 6.8)	2 592 332	2 770 776	3 115 845	3 359 615	3 552 007	3 552 007	3 851 553	4 132 414	4 379 786
<b>Total for Category - Hospital services</b>	2 592 332	2 770 776	3 115 845	3 359 615	3 552 007	3 552 007	3 851 553	4 132 414	4 379 786
<b>TOTAL FOR FUNCTION - HEALTH</b>	3 708 061	3 958 378	4 556 799	4 946 270	5 175 829	5 175 829	5 755 438	6 147 504	6 502 847
<b>FUNCTION - RECREATION CULTURE AND RELIGION</b>									
<b>Category - Recreation and sporting services</b>									
Department of Cultural Affairs and Sport (Programme 13.4)	12 615	18 561	22 074	27 479	27 479	27 479	32 300	33 694	35 179
<b>Total for Category - Recreation and sporting services</b>	12 615	18 561	22 074	27 479	27 479	27 479	32 300	33 694	35 179
<b>Category - Cultural services</b>									
Department of Cultural Affairs and Sport (Programmes 13.1 to 13.3)	77 244	89 917	112 403	127 860	128 760	125 760	135 499	134 491	141 392
<b>Total for Category - Cultural services</b>	77 244	89 917	112 403	127 860	128 760	125 760	135 499	134 491	141 392
<b>TOTAL FOR FUNCTION - RECREATION CULTURE AND RELIGION</b>	89 859	108 478	134 477	155 339	156 239	153 239	167 799	168 185	176 571

Table A.9 Details of provincial payments and estimates by policy area (continued)

GFS function R'000	Outcome			Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	Medium-term estimate		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
<b>FUNCTION - EDUCATION</b>									
<b>Category - Pre-primary and primary education</b>									
Department of Education (Programme 5.7 and sub-programme 5.2.1)	2 160 942	2 354 523	2 578 881	2 738 864	2 817 490	2 817 490	3 038 053	3 312 445	3 573 455
<b>Total for Category - Pre-primary and primary education</b>	2 160 942	2 354 523	2 578 881	2 738 864	2 817 490	2 817 490	<b>3 038 053</b>	3 312 445	3 573 455
<b>Category - Secondary education</b>									
Department of Education (Sub-programme 5.2.2)	1 399 140	1 534 070	1 712 387	1 808 989	1 862 217	1 862 217	<b>1 983 153</b>	2 141 049	2 290 712
<b>Total for Category - Secondary education</b>	1 399 140	1 534 070	1 712 387	1 808 989	1 862 217	1 862 217	<b>1 983 153</b>	2 141 049	2 290 712
<b>Category - Subsidiary service to education</b>									
Department of Education (Programme 5.3)	22 025	23 745	26 243	31 162	29 762	29 762	<b>32 471</b>	34 095	35 800
<b>Total for Category - Subsidiary service to education</b>	22 025	23 745	26 243	31 162	29 762	29 762	<b>32 471</b>	34 095	35 800
<b>Category - Education not definable by level</b>									
Department of Education (Programmes 5.1, 5.4, 5.5, 5.6 and 5.8, sub-programmes 5.2.3, 5.2.4, 5.2.5 and 10.2.3)	820 120	898 277	996 618	1 079 697	1 071 643	1 071 643	<b>1 218 083</b>	1 293 634	1 356 324
<b>Total for Category - Education not definable by level</b>	820 120	898 277	996 618	1 079 697	1 071 643	1 071 643	<b>1 218 083</b>	1 293 634	1 356 324
<b>TOTAL FOR FUNCTION - EDUCATION</b>	4 402 227	4 810 615	5 314 129	5 658 712	5 781 112	5 781 112	<b>6 271 760</b>	6 781 223	7 256 291
<b>FUNCTION - SOCIAL PROTECTION</b>									
<b>Category - Social security services</b>									
Department of Social Services and Poverty alleviation (Vote 7 and sub-programme 10.2.5)	2 391 258	3 140 177	3 787 364	4 501 526	4 334 604	4 339 126	4 924 983	5 204 316	5 650 807
<b>Total for Category - Social security services</b>	2 391 258	3 140 177	3 787 364	4 501 526	4 334 604	4 339 126	<b>4 924 983</b>	5 204 316	5 650 807
<b>TOTAL FOR FUNCTION - SOCIAL SERVICES AND POVERTY ALLEVIATION</b>	2 391 258	3 140 177	3 787 364	4 501 526	4 334 604	4 339 126	<b>4 924 983</b>	5 204 316	5 650 807
<b>TOTAL: BY FUNCTION</b>	12 516 996	14 509 000	16 364 631	18 292 372	18 670 995	18 480 031	<b>20 627 849</b>	22 335 676	23 720 399