

BUDGET STATEMENT ONE

BUDGET OVERVIEW

1. Introduction

In his 2003 State of the Nation address, the President presented the country with two challenges. Firstly, to increase the number of people in society who depend for their livelihood, not on social grants, but on normal participation in the economy. The second challenge was to integrate the two very distinct economies in South Africa - the first, modern and competitive, the second, survivalist and impoverished.

The Western Cape's response to this challenge was the development of the *iKapa elihlumayo* vision. "*iKapa elihlumayo*" is a Xhosa expression that translates as "the growing Cape." The "hluma" in "elihlumayo" however has a more profound meaning: "Hluma" implies that the growth of the different parts benefit each other in a mutually advantageous manner. Hereby the collective results or outcomes are greater than what they would have been had the parts acted separately.

At a philosophical level, *iKapa elihlumayo* therefore asserts that the people of the Western Cape can have both transformation and growth. That they deserve both prosperity and equity. That the economy can be globally competitive and create jobs. And above all, that the Western Cape can provide an exciting and caring environment for all the people that live here. In this way the Province intends to achieve:

- *Higher economic growth rates:* After a period of above average growth the provincial economy is starting to slow down. The Elihlumayo vision aims to support growth sectors and explore new opportunities in order to create the necessary wealth and thus space to provide employment and entrepreneurial opportunities.
- *Higher employment levels:* Levels of unemployment and poverty must be reduced, especially amongst Africans in the Western Cape, the population group with the highest levels of unemployment in the Province.
- *Lower levels of inequality:* While expanding the economic base, the Province's wealth, business opportunities, skills training and other opportunities must be more equitably shared by all its people, irrespective of race, gender, disability or any other characteristic.
- *A caring and sustainable social safety net and environment:* The building of social capital must focus on especially the youth and families and address security, health, recreation and cultural integration.

Above all, *iKapa elihlumayo* brings hope to the people of the Western Cape. *iKapa elihlumayo* therefore affirms the conclusion to the President's 2004 State of the Nation address: "We have it within our power to build our own golden door into our second decade of liberation. We have demonstrated that we have the will to answer the question in the affirmative, and say - yes, this is the day!"

The reality inspiring this vision is the socio-economic reality of our country and of the Province itself. In spite of a decade of pro-poor service delivery, progress towards the goals of *iKapa elihlumayo* appear to have been slow. In many cases this slow progress was driven by international events that are largely beyond the control of the Province. In other cases it was driven by the inability of a large number of our population to share in the economic growth and job creation that some sectors of the provincial economy have enjoyed.

Unfortunately, current indications are that this situation, left on its own, will not improve significantly over the short term. Internationally the apparent bottoming out of the current cycle of interest rate cuts, the dollar weakness associated with the twin deficits in the USA and in turn giving support to the strong Rand (amongst other factors driving the Rand), Rand volatility itself, and still sluggish growth in Europe and Japan, all place limitations on a strong export driven economic growth path for the immediate future. This international situation, structural domestic economic patterns and the skills profile of the economically active portion of our labour force result in a labour market that is not able as yet to absorb all new entrants. Thus although the country and the Province itself have experienced constant real growth for a considerable period now, the Western Cape will have to accelerate its current development path in order to address its socio-economic situation. *iKapa elihlumayo* was conceived to do exactly this.

By its very nature *iKapa elihlumayo* finds close coherences with the policy framework articulated by the national government. We describe this framework in the next section before sketching a fuller picture of the socio-economic challenges in the Western Cape.

2. National Policy Framework

The Ten Year Review¹ proposes four broad sets of development objectives for the next decade². The first is the idea of a shared social and developmental vision “which not only helps better integrate the activities of government, but also harnesses the efforts of support of civil society to realise the national development objectives.”

The RDP goals are the departure points of this vision. The United Nations Millennium Declaration targets also serve as key benchmarks – decreasing poverty and hunger by half, reducing child and maternal mortality, combating HIV and AIDS, Tuberculosis and other major diseases, and ensuring environmental development and sustainability. The national Growth and Development Summit objective that unemployment should be halved by 2014 is similarly central to addressing South Africa’s dynamic of inclusion and exclusion.

The second challenge for the decade ahead is to improve the performance of the State – to consolidate the 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.

A third major challenge is to address the consequences of South Africa’s social transition. This is partly about promoting greater coherence and integrity in the spatial landscape, appropriate promotion of both human and industrial potential, and addressing the spatial disjuncture between home and work by increasing residential densities and reducing long-distance commuting. It is also about raising the labour absorptive capacity of the economy, and responding to social and economic stresses of unemployment, poverty and the burden of disease and disability.

A fourth theme focuses on improving the regional environment and implementing the New Partnership for Africa’s Development (NEPAD). The institutions of the recently formed African Union have to be put on an operational footing, socio-political normalcy restored in Angola, Zimbabwe, the Democratic Republic of Congo and Burundi, and strategic relations with major countries and regions of the South promoted.

In his 2004 State of the Nation address, President Mbeki reminded us that we have made great strides in improved service delivery since 1994. Expanding on the Ten Year Review, he also argued that while we may have sound policy frameworks in place, we should make more rapid progress in implementing these policies. He indicated that improved implementation could be achieved through:

- *Seamless cooperation between government departments:* The challenges facing the country seldom respect the structures of government and demand interdepartmental interventions. These interdepartmental challenges include human resource development, encouraging investment, the distribution of social grants, crime and corruption, TB, Malaria, HIV and AIDS.
- *Greater coordination between the three spheres of government:* There are obvious areas that require cooperation across spheres such as transport planning and disaster management. There are however many areas of exclusive provincial, local and national responsibility that impact directly on the work of other spheres such as indigence policies, environmental policies and human resource development. Apart from the legal requirements for coordination, the common development challenges of the three spheres therefore demand much deeper coordination in planning, budgeting and service delivery.
- *Greater cooperation with the private sector:* Government can create an environment for higher rates of investment. It can create some employment in the public service and public works programmes; and it can encourage labour-intensive methods in parts of the economy. But long-term employment depends largely on higher rates of private sector investment, strategies for growth in key sectors of the economy and a joint skills development and appropriate learnership programmes in both the public and private sectors to provide competent workers able to compete with their international counterparts. For this reason government must consolidate the co-operation among the social partners that was established at the national Growth and Development Summit.
- *Improve the system of monitoring and evaluation:* While expenditure control has improved immeasurably over the last ten years, government’s systems of assessing the impact of its interventions need to be developed much further. For this reason stronger monitoring and evaluation mechanisms has to be put in place in all key government departments.

As will be illustrated in section this Budget Statement, these four intended service delivery improvements informed the formulation of *iKapa elihlumayo* very closely. The *elihlumayo* drive was further guided by the policy priorities contained in the National Treasury’s 2003 Medium Term Budget Policy Statement (MTBPS).

¹ Presidency, Pretoria, 2003

² This summary was largely drawn from the National Treasury’s 2003 MTBPS

In pursuit of the policy aims articulated in the Ten Year Review, the 2003 MTBPS proposed the following priority expenditure areas:

- A renewed focus on employment creation through an expanded public works programme (linking it to the Provincial Infrastructure Grant) and a series of interventions to strengthen the skills base and empower communities;
- Supporting economic sector departments that contribute to rural development and the Extended Public Works Programme (EPWP) especially through
 - Growth in roads budgets, and
 - Post-settlement support to emerging farmers;
- Targeted support for school education to ensure provision of learner support materials and other critical supplies;
- A bold commitment to mitigate the impact of HIV and AIDS through a roll out of anti-retroviral drugs alongside prevention measures;
- Further extension of social assistance programmes particularly through the child support grant, and grants targeting other vulnerable groups;
- Continued support for free basic services and investment in municipal infrastructure to create sustainable local communities;
- Expanded capacity in the safety and security sector in support of the sector policing strategy and the establishment of a new Protection and Security Services Division;
- Taking core administrative services to citizens, particularly in rural areas where access is still rather limited, and
- South Africa's ongoing commitment to actively promote peace in Africa and support regional trade and development.

These national budget and policy imperatives provide key parameters to provincial budget and planning processes. The second important set of parameters are the socio-economic realities of the Western Cape itself.

3. Western Cape socio-economic outlook

The 2003 Socio-Economic Review (SER) revealed that a decade of redistributive service delivery had not reduced levels of inequality and unemployment nor has it stimulated sufficient levels of growth in the Western Cape. From 1996 to 2001 the Western Cape population and labour force grew much faster than the national population and labour force. The result is greater pressure on the provincial labour market than is the case nationally. After a long period of sustained growth, the Western Cape economy also started slowing down in 1999. While the causes of the slow-down are diverse, preliminary evidence suggests that the slow-down has not yet bottomed out. The mounting population pressure and slowing economic growth resulted in stagnant real per capita growth rates from 1996 to 2001.

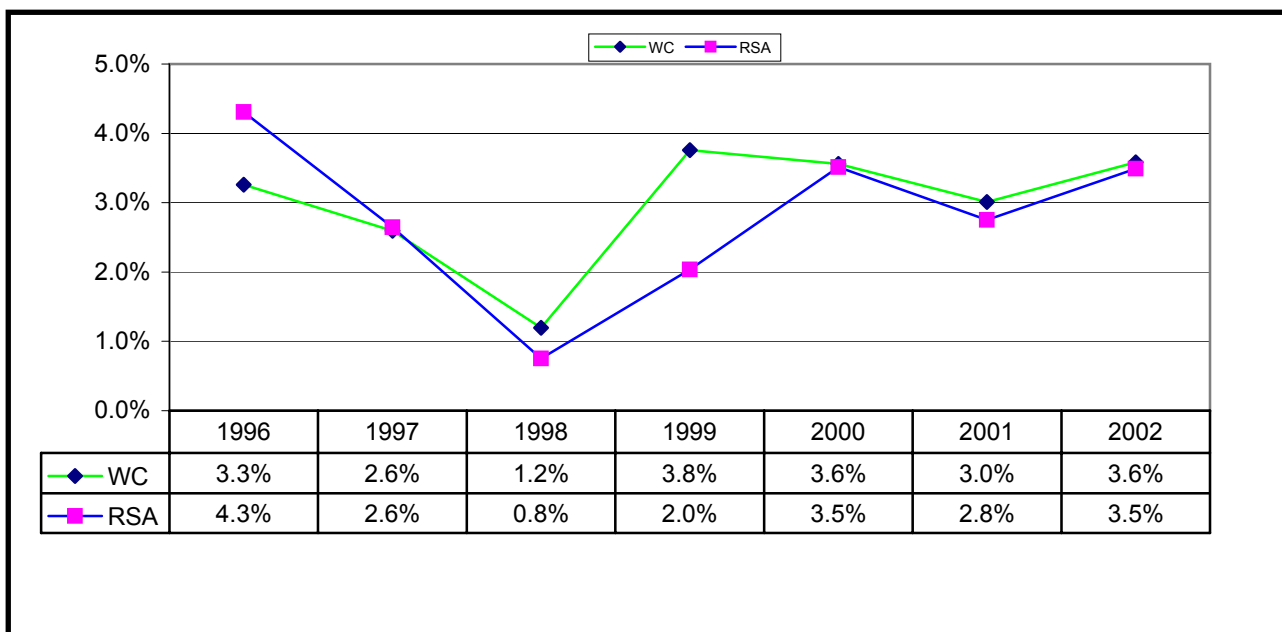
The Western Cape economy also restructured dramatically over the last ten years with a big shift to the skill and capital-intensive tertiary sector. Significantly, the growing dependence on the tertiary sector was even more pronounced in the Western Cape than in the rest of South Africa. From 1996 to 2001 the provincial economy also lost a significant portion of its share of national jobs.

The result of these trends meant that wealth creation has not kept up with population growth in the province. While the delivery of basic services to the poor has improved, their chances of participating in and benefiting from the growing Western Cape economy has deteriorated. These developments in turn result in high and ever increasing levels of income inequality. While these developments are not unique to the Western Cape, they hit the Province even harder than other provinces and the country as a whole. Because redistributive service delivery on its own will not have the ultimate desired effect, the provincial government decided to sharpen its output goals and to give greater consideration to the potential impact on the economic environment within which the reconfigured services are to be delivered.

3.1 Trends in economic growth

The Western Cape economy grew in real terms by an average of 3% between 1995 and 2002, initially faster than the national economy until 1999, but has been slowing since then (Figure 1). The provincial economy has also undergone major restructuring since 1995 with tertiary industries growing much faster than primary and secondary industries that virtually stagnated over this period. Transport, communication, finance, real estate and business services industries contributed almost 73% of all growth in the Province over this period. Together, agriculture, forestry, fishing and manufacturing industries, traditionally important sectors in the provincial economy, could only contribute 9.4% of all growth in the provincial economy between 1995 and 2002. While a similar drift to the tertiary industries is visible at national level, this trend is significantly more pronounced in the Western Cape.

Figure 1: GDP Growth rates (1995 Rands)



Source: Statistics South Africa

In 2003, national trends in all key Western Cape industries have shown a significant slowdown. In fact the most significant national slowdowns were recorded in three mainstays of the Western Cape economy and labour market, namely agriculture, transport & communication (from 8.6% to 1.7%) and financial services (from 6.3% to 0.6%) (see Table 1). Slowing retail and wholesale trade figures and the strength of the Rand confirms the fresh slowdown in the provincial economy after the mild recovery of 2002.

The 2003 national Medium Term Budget Policy Statement confirms this analysis: "A recovery in global economic activity is under way, particularly in the United States and East Asia. South Africa benefits from buoyant commodity prices, although sluggish growth in Europe and the strength of the Rand have contributed to a weakening of the current account of the balance of payments and declining profits from mining and export-oriented industries."

Table 3.1: Change in RSA growth rates 1995-2002 and 2002-2003

	1995-2002		2002-2003		Change in Average Growth rate
	% Change	Ave Annual Change	% Change	Ave Annual Change	
Primary Industries	10.0%	1.4%	(3.3%)	(1.9%)	(3.29%)
Agriculture, forestry and fishing	35.7%	5.1%	(10.9%)	(6.2%)	(11.32%)
Mining and quarrying	(4.2%)	(0.6%)	2.8%	1.6%	2.20%
Secondary Industries	17.6%	2.5%	(0.8%)	(0.5%)	(2.99%)
Manufacturing	16.7%	2.4%	(1.6%)	(0.9%)	(3.28%)
Electricity and water	23.7%	3.4%	1.1%	0.6%	(2.77%)
Construction	16.9%	2.4%	1.7%	1.0%	(1.45%)
Tertiary Industries	25.5%	3.6%	1.4%	0.8%	(2.84%)
Wholesale and retail trade; hotels and restaurants	14.8%	2.1%	1.6%	0.9%	(1.18%)
Transport and communication	60.5%	8.6%	2.9%	1.7%	(6.96%)
Finance, real estate and business services	43.9%	6.3%	1.1%	0.6%	(5.65%)
Community, social and personal services	18.9%	2.7%	2.1%	1.2%	(1.49%)
General government services	0.4%	0.1%	0.3%	0.1%	0.09%
Other producers	13.1%	1.9%	0.8%	0.5%	(1.39%)
All Industries at basic prices	21.6%	3.1%	0.4%	0.2%	(2.89%)
Taxes less subsidies on products	16.1%	2.3%	1.0%	0.6%	(1.75%)
GDPR at market prices	21.2%	3.0%	0.4%	0.2%	(2.79%)

Source: Statistics South Africa & Own calculations

3.2 Demographics

Table 3.2 shows that the population of the Western Cape Province has grown from just short of 4 million in 1996 to over 4,5 million in 2001. This represents a total increase of 14.3% compared to 10.4% growth in the total national population. Even more striking is that the economically active population in the Western Cape grew almost twice as fast as in South Africa as a whole (21% versus 11%). This translates into significant additional pressure on the Western Cape's labour market and government service delivery.

Table 3.2: Western Cape and RSA growth in population and economically active population (EAP)

Population	1996	2001	% Change
Western Cape Population	3 956 875	4 524 335	14
RSA Population	40 583 573	44 819 778	10
Western Cape Labour force	1 673 288	2 016 717	21
RSA Labour Force	13 785 493	15 359 000	11

Source: Statistics South Africa Census 1996 & 2001

The Western Cape population has not only increased, but its age-profile has also changed significantly. This change is significant because not all age groups can participate in the creation of wealth. On the other hand, the relative shrinkage and increasing skills bias of the labour market also means that not all people of working age will have the opportunity to participate in the labour market.

Table 3.3 shows that there has been a significant decrease in the share that 0-14 year olds and those aged 65 and over make up of the total population in the Western Cape. On the other hand, those aged 15-64 or the economically active population has grown from 64.9% of the population in 1996 to 67.5% of the population in 2001. These figures support Bekker's (2003) assessment that inflows into the Province are largely driven by poverty and the search for employment. Table 3.3 also reconfirms the rapid growth in the Western Cape's economically active population.

Table 3.3: Western Cape and RSA Age Profile 1996-2001

Age Cohorts	RSA 1996	RSA 2001	WC 1996	WC 2001
0-14	33.9%	32.1%	28.9%	27.3%
15-39	42.7%	43.8%	44.7%	45.5%
40-64	17.4%	19.2%	20.2%	22.0%
65 & over	6.0%	4.9%	6.2%	5.2%

Source: Statistics South Africa Census 1996 & 2001

3.3 Provincial labour market trends

As salaries and wages make up most of the income in the Western Cape, the proper functioning of the labour market should be a key component of any policy of redistribution and poverty alleviation. Table 3.4 shows that the Western Cape labour market performed much better than nationally between 1995 and 2002 with the Western Cape economy providing jobs for 55 out of every 100 new entrants into the labour market, compared to 34 for every 100 nationally. Between 1996 and 2001 the Western Cape did, however, lose 1.6 percentage points of its share of total jobs in South Africa (Table 3.5). The 2001 Census indicates that the largest percentage point sectoral share losses over this period were felt in the manufacturing (-3.8%), financial services (-1.4%) and community sectors (-1.2%). Transport (0.5%), mining (0.5%), construction (1.3%) and agriculture (0.5%) sectors have managed to increase their shares of national sectoral employment.

Table 3.4: Employment and EAP³ Shifts, by Population group and Gender

Category	Employment Change	EAP Change	Target Growth Rate (%)	% Change In Employment	Employment Absorption Rate (%)
South Africa					
African	127 7093	4 244 670	70.35	21.17	30.09
Coloured	140 441	350 643	31.45	12.60	40.05
Asian	138 225	243 327	69.27	39.35	56.81
White	170 194	283 646	14.95	8.97	60.01
Other	34 823	40 56			85.45
Gender					
Male	505 741	1 999 490	35.30	8.93	25.2
Female	1 254 445	3 165 113	84.80	33.61	39.63
Total	1 760 186	5 64 603	54.96	18.73	34.08
Western Cape					
African	2167	63 335	24.76	0.85	3.45
Coloured	79 298	147 072	20.18	10.88	53.92
Asian	33 922	41 847	278.79	225.99	81.06
White	41 877	45 580	13.19	12.12	91.88
Other	20 197	24 768			81.54
Gender					
Male	49 261	127 909	16.11	6.21	38.52
Female	128 085	194 578	35.31	23.25	65.83
Total	177 346	322 487	23.98	13.19	55.00

Source: Statistics South Africa October Household Survey, 1995 & Labour Force Survey, February 2002

³ Economically Active Population

Table 3.5: Western Cape shares of total RSA employment

Sectors	1996	2001	Share lost/ gained
Agriculture	21.0%	21.5%	0.5%
Mining	0.7%	1.2%	0.5%
Manufacturing	21.0%	17.2%	(3.8%)
Electricity	10.1%	10.3%	0.2%
Construction	18.4%	19.7%	1.3%
Wholesale and retail	17.4%	16.7%	(0.7%)
Transport	14.1%	14.6%	0.5%
Financial etc	18.6%	17.2%	(1.4%)
Community, social	15.3%	14.1%	(1.2%)
Private Households	9.2%	9.9%	0.8%
Unspecified	11.7%	17.0%	5.2%
Total	17.1%	15.5%	(1.6%)

Source: Statistics South Africa Census 1996 & 2001

Within this general trend, the labour market experience of African workers in the Western Cape remains decidedly worse when compared with Coloured, Asian and White workers resident in the Province. Nationally, 30 out of every 100 Africans found employment between 1995 and 2002, but in the Western Cape, only 3 out of every 100 Africans found employment over this period. It is this poor performance of the labour market for Africans that engenders higher poverty and poverty gap levels for this cohort within the Western Cape province. This phenomenon is linked to the fact that the provincial economy continues to provide decreasing opportunities for unskilled workers. Unskilled workers' share in employment declined from 34% in 1995 to 29% in 2002 while the share of skilled workers increased by 5 percentage points.

In both South Africa and the Western Cape, unemployment has a very strong youth dimension with the youth cohort making up 82% of all unemployment. Youth unemployment also has different dimensions for each main population group, with very few African teenagers having found work. On the other hand, data suggest that those jobless individuals over the age of 40 with primary schooling or less, best reflect the core of individuals in the labour market who, given the economy's labour demand trajectory, are unlikely to be employed in their lifetime. A significant group of these workers have also not worked for over three years, have not looked for work recently and display lower levels of literacy.

3.4 Distribution of wealth

While government services have been largely redistributive, the rest of the economy has followed a different path. Table 3.6 shows that the Gini coefficient for the Western Cape therefore remains significantly higher than the national figure. While these figures should be treated with some caution, preliminary indications are that the level of inequality in the Western Cape has increased between 1995 and 2000. These analyses are supported by trends in the labour market discussed above with low skilled jobs being shed.

Table 3.6: Real Per Capita GDP in RSA and Western Cape (1996 Rand terms)

Sectors	1996	2001
Western Cape real per capita GDP	20 685	20 716
RSA real per capita GDP	14 087	14 325
	1995	2000
Western Cape <i>per capita</i> Gini Coefficient	0.602	0.625
RSA per capita Gini Coefficient	0.56	0.57

Source: Statistics South Africa

3.5 Educational Attainment

The skills and education of workers remains an important indicator of their chances of finding work. But education also makes a broader contribution to the general quality of life enjoyed by the population at large.

The increased levels of education in the provincial population reflected in Table 3.7 are encouraging. This Table shows significant reductions in the 'completed primary' and 'some secondary' categories and large increases in Grade 12 and higher qualifications. Even given these improvements, the stark fact remains that only 1 in 4 people over 20 had a qualification of matric or higher in 2001.

Table 3.7: Level of Education Amongst those aged 20+ in the Western Cape

	1996	2001	Change
No Schooling	6.3%	5.7%	(0.6)
Some Primary	15.0%	15.2%	0.2
Completed Primary	8.4%	7.9%	(0.5)
Some Secondary	37.2%	36.5%	(0.7)
Grade 12	18.0%	23.4%	5.4
Higher	10.1%	11.2%	1.2
Unspecified/Other	5.0%		(5.0)
Total	100.0%	100.0%	0.0

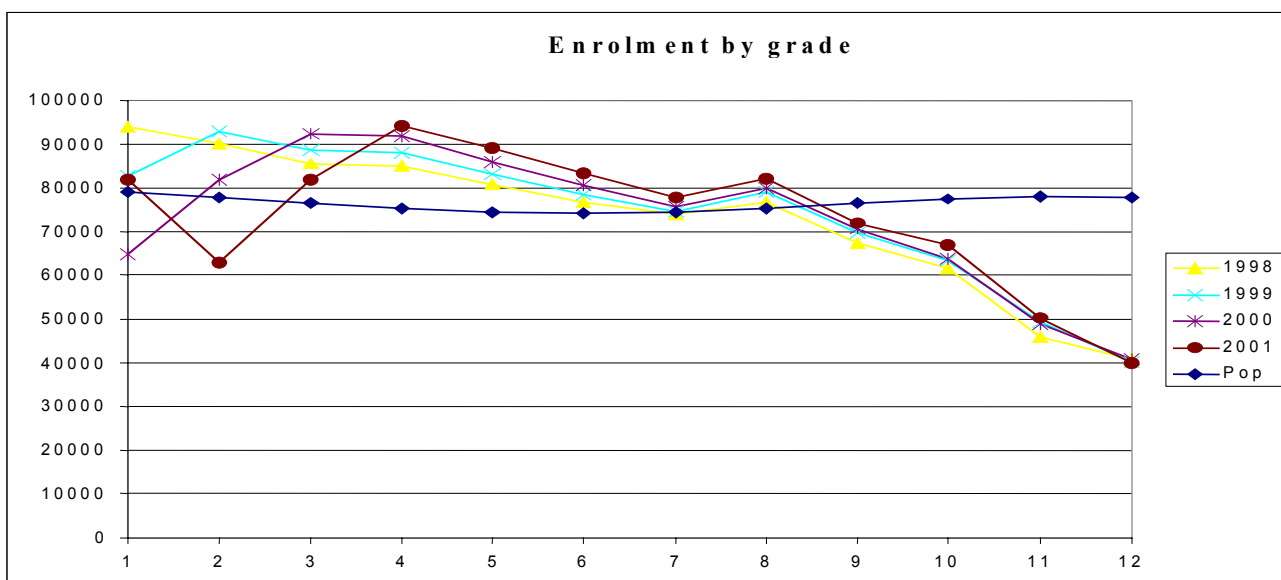
Source: Statistics South Africa Census 1996 & 2001

Since the transition to democracy, resources devoted to school education have increased considerably and large resource shifts have taken place to poorer schools (Van der Berg, 2003), yet outputs of successful matriculants or of those matriculating with university exemption are stagnating or declining. There seems to be a poor conversion of inputs into educational outputs, i.e. in numeric terms educational outputs are only weakly related to educational resources – though a time lag between resource shifts and changes in outcome may partly account for this.

Many of the national problems also emerge at the provincial level in the Western Cape, even though the Province performs by far the best in terms of matriculation results. The Western Cape pass rate (82.7%) and exemption rate (25.0%) in 2001 were well above the national average (61.7% and 15.1% respectively). From 1994 to 2001 the Western Cape increased its share of national matriculation passes from 8.9% to 11.2%, and of exemptions from 9.9 to 13.9%, even though the Province's performance in this regard was not spectacular.

Even more than at the national level, access to schools is no longer a major problem, as census and survey data show that most children of school-going age are at school, at least up to age 15 or 16. Behind these educational outcomes lie disturbing flow-through trends. Figure 2 shows a dramatic drop off in enrolment in the Western Cape after Grade 8. Quantitative analysis of the Western Cape school enrolment figures by various researchers indicates that only 45% - 52% of learners who enroll in Grade 1 reach Grade 12 (Crouch, 2002; van Wyk, 2003). Perhaps of even greater concern is the fact that these analyses and Figure 2 show little change in the throughput or efficiency rate in the last five to six years.

Figure 2: Enrolment in Western Cape schools by grade, 1998 – 2001



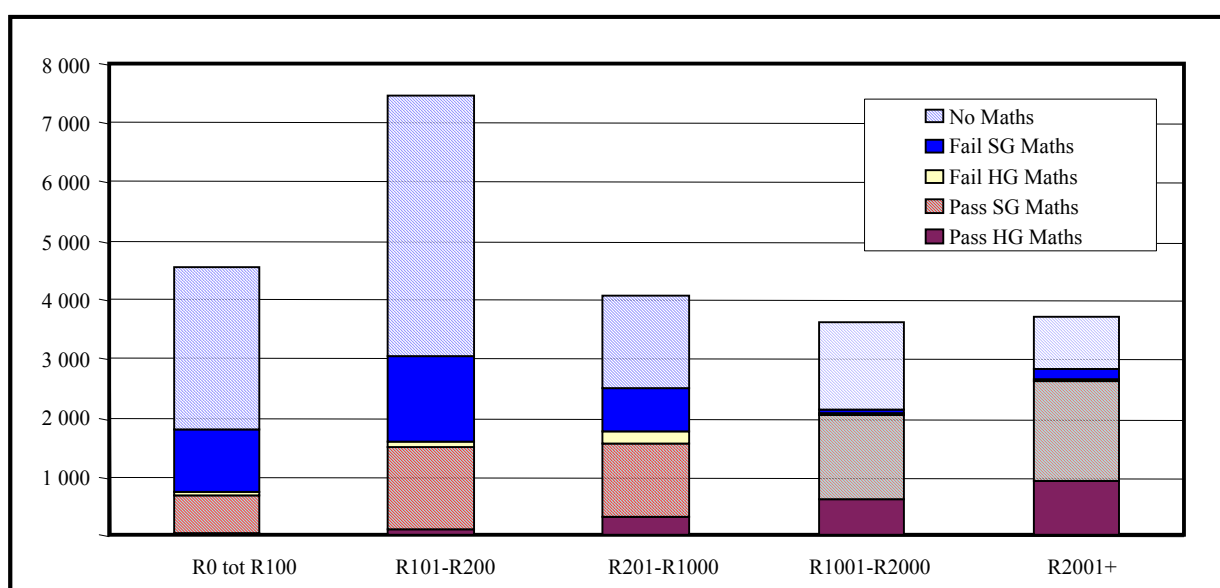
Source: Van der Berg and Burger 2002

Educational Attainment by population group

Van der Berg & Burger (2003) show that in the Western Cape large output differentials also follow racial patterns. Poor schools with predominantly African and to a lesser extent Coloured pupils do much worse than others do. Failure rates are also highest in predominantly African schools (53%). On the other hand predominantly White schools still outperform others with very few A-aggregates (a measure of quality) obtained in other schools. Even university exemptions, another less restrictive measure of quality, were highly concentrated in predominantly White schools. Of the almost 6 000 university exemptions in 1997, more than 60% were from predominantly White schools, versus only 2.5% from predominantly African schools. Thus entrance into universities perpetuates past patterns of privilege, and even more so if subject choice and performance at school are also considered.

Van der Berg (2003) shows that patterns are quite similar with respect to performance in mathematics, a critical subject for further education (Figure 3). As can be seen, a surprisingly large proportion of pupils even amongst more affluent schools elect not to do mathematics or rather to take it at the Standard Grade, thus closing the door on possible further studies in the natural sciences, engineering, medicine, commerce and some other fields. Of the just over 2 000 pupils who passed mathematics at the Higher Grade in 1997, 80% were from schools with school fees above R1 000 per annum, and a slightly higher proportion, 83%, from predominantly White schools. In contrast, only 20 pupils (1% of the total) from predominantly African schools passed mathematics at the Higher Grade.

Figure 3: Mathematics results by school fee category, 1997



Source: Van der Berg and Burger 2002

It appears that much of the variable performance by population groups in the labour market can be explained by corresponding patterns in education attainment in the Western Cape. While many interventions targeted in these problem areas have been introduced in recent years, such interventions have significant built-in time lags. The recent data provided by Seekings (2003) and the 2001 Census do however suggest that additional work may be required in these critical areas.

3.6 Provincial Infrastructure

Apart from skills, training and a restructuring labour market, another important determinant of growth and employment is the adequacy of transport infrastructure. Public investment in transport infrastructure usually accounts for 2.0 to 2.5 percent of GDP, and it may rise as high as 3.5 percent in countries modernising outdated infrastructure or developing new. In comparison, preliminary estimates indicate that public investment in transport infrastructure (road and rail, excluding airports and harbours) accounts for only about 1.1 percent of the Western Cape GDP (see Table 3.8).

Table 3.8: Western Cape spending on transport infrastructure (2002)

Transport infrastructure	R Million
Govt spending (infrastructure)	696
Metropolitan capital projects	354
Metropolitan maintenance & recapitalisation	300
SANRAL/other (broad estimate)	250
Total	1 600
GDP (2001 amount increased by 4.3 %)	141 886
Transport infrastructure spending as a proportion of GDP	1.13%

Source: CSIR Background Paper

As a result, the Western Cape transport network shows signs of stress on a number of fronts such as harbour congestion, high levels of motor vehicle accidents and unsatisfactory public transport. The Western Cape's future economic growth prospects depend significantly on its logistics efficiency, and may be negatively affected by efficiency-reducing factors such as:

- Freight congestion, delays and unpredictability;
- Business and 'non-business' time lost to congestion;
- Inaccessible labour, and
- Traffic accidents.

Many proponents favour radical or interventionist strategies (such as fundamental land use restructuring) to address these issues. Others drive an agenda aimed at improving economic competitiveness in the context of ongoing structural economic changes towards globalised production systems. The challenge is to define a strategically balanced agenda (and an associated transport investment portfolio) that yields both higher levels of growth and economic participation.

3.7 Indicators of Social Capital

The Tables below give a preliminary indication of some of the stresses in the social fabric of the Province. Table 3.9 below shows that crimes against persons in the Western Cape are significantly higher than in South Africa as a whole. These rates seem at a similarly high level in Gauteng, indicating that this proxy for social capital could depend on the rural/urban nature of the location.

Table 3.9: Selected crimes per 100 000 of the population

Province	Murder		
	2000/01	2001/02	% Change
Gauteng	62.2	58.4	(6.1%)
Eastern Cape	51	51.2	0.4%
Western Cape	82.7	79.3	(4.1%)
South Africa	49.3	47.4	(3.9%)
	Rape		
	2000/01	2001/02	% Change
Gauteng	153.2	153.3	0.1%
Eastern Cape	100.1	96.9	(3.2%)
Western Cape	156.8	153.9	(1.8%)
South Africa	118.6	119.4	0.7%
	Robbery with aggravating circumstances		
	2000/01	2001/02	% Change
Gauteng	674.3	661.9	(1.8%)
Eastern Cape	112	123.7	10.4%
Western Cape	270	283.1	4.9%
South Africa	257.7	258.5	0.3%
	Theft of motor vehicle		
	2000/01	2001/02	% Change
Gauteng	637.6	574.9	(9.8%)
Eastern Cape	90.8	85.3	(6.1%)
Western Cape	279.7	291.6	4.3%
South Africa	226.7	214.5	(5.4%)

Source: Ministry for Safety and Security

Table 3.10 indicates that the environmental conditions of children under 5 years in the Province may also not be what it should be. As an indicator of the living conditions of the next generation, infant diarrhoea rates are relatively high.

Table 3.10: Infant diarrhoea per 1 000 children under the age of 5

Province	1998	2000
Gauteng	204	67.7
Eastern Cape	275.6	145.7
Western Cape	214.8	99.7
South Africa	286.4	174.3

Source: Health Systems Trust

Note: Due to difference in collection and calculation the figures for these two years are not comparable

Another key indicator of general well-being is the occurrence of TB. Table 3.11 shows that a disproportional share of TB cases are reported in the Western Cape and that these also showed steady growth between 1999 and 2001.

Table 3.11: TB cases reported per province

	1999	2000	2001	% Change 1999-2001
Gauteng	17450	24861	25698	47
Eastern Cape	30990	28916	35702	15
Western Cape	31566	334848	35803	13
South Africa	148164	150696	159969	8

Source: Department of Health

4. *iKapa elihlumayo*: The Western Cape Policy Framework

4.1 The development of *iKapa elihlumayo*

The socio-economic conditions and national policy priorities discussed earlier were the driving forces that marked a radical departure from previous spending priorities when the current government came to power. These spending priorities were however not yet developed when the *iKapa elihlumayo* approach was first presented by the Premier in his Opening of Provincial Parliament Address and subsequently by the provincial Minister of Finance in his 2003 Budget Speech. The commitment of government to respond to adverse socio-economic conditions was displayed in the strategic allocations for the Economic Stimulation Package and the General Education and Training (GET) and Further Education and Training (FET) Interventions in the Education Department.

A coherent and strategic approach behind these interventions still had to reach fruition and be consulted with the Province's development partners in civil society, other spheres of government and the business community. The period between March and December 2003 saw intensive consultation and negotiation both inside and outside of the provincial government to deliver a practical rendition of the *iKapa elihlumayo* vision.

External to the provincial government itself the process was marked by:

- The Black Economic Empowerment Summit;
- The work of the Western Cape Investment Council;
- Various Imbizos;
- The Public Transport Summit;
- The Property Summit;
- The Construction Summit;
- The Youth Summit;
- The Women in the Built Environment Summit;
- The Development Finance Summit;
- The Water Summit;
- The Cooperative Government Summit, and
- The pre-Growth and Development Summit process.

These external processes culminated in the Provincial Growth and Development Summit and the agreement between the social partners that followed from it.

Parallel and linked to this external process were a series of events internal to the provincial government that was marked by the following events and documents:

- The Socio-Economic Review (SER) 2003;
- The 2003/04 Adjustments Estimates, and
- The provincial Medium Term Budget Policy Statement 2004-2007.

This process culminated in the Framework for the Development of the Western Cape 2004-2007 that outlined and developed the philosophy of *iKapa elihlumayo* and guided the Province's fiscal commitments to the realisation of this vision.

4.2 Content of *iKapa elihlumayo*

In his 2004 Opening of Parliament address, the Premier outlined the long-term strategic framework that embodied the President's four implementation goals referred to earlier.

The Premier committed this Province to a delivery focused budget with fiscal discipline, in addition to appropriate job creation initiatives, strengthening of the social net together with continued rationalisation of health services (Healthcare 2010), building human capital, increasing infrastructure investment and safety measures for the Province's citizens and renewed efforts at bolstering land reform, urban and rural development. While some components of this framework have already borne fruit, this long-term strategy is essentially designed to guide government and its development partners over the next ten years. In this context, the eight priority areas that emerged from the MTBPS and the Provincial Growth and Development Summit (PGDS) as confirmed by the Premier in his address are:

- *Building Human Capital with an emphasis on the youth:*

The 2003 SER showed that one of the key determinants of poverty and inequality is the variable educational attainments of people in the province. In addition to its contribution to building social capital, a key goal of the human resource development strategy will therefore be to ensure that the entire labour force has appropriate skills to enter the labour market, on the one hand, and to facilitate additional investment by supplying enterprises with appropriately skilled workers on the other hand.

- *Micro-Economic strategy (MES):*

The 2003 SER showed that growth in the Province was slowing. The overall goal of the micro-economic strategy is therefore to guide and direct provincial involvement in private sector so as to ensure more appropriate levels of growth. In order to do this, the MES will have to identify and address global and national economy-wide trends as well as industry specific blockages and opportunities.

- *Building Social Capital with an emphasis on the youth:*

The Social Capital Formation Strategy aims to arrest and reverse the decline in social capital in the province that is visible in high levels of crime particularly amongst the youth, motor-vehicle accidents caused by driver attitude and fitness, alcohol and drug dependency, AIDS and TB and gang activity. Social capital will be rebuilt by the co-ordination and integration of the social capital interventions of especially the departments of Social Services, Housing, Health, Community Safety, Sport and Culture but also civil society, local government and the business community using a single targeting framework.

- *Strategic Infrastructure Investment:*

The SER gave preliminary indications of the impact of insufficient investment in the provincial transport network. The goal of the Strategic Infrastructure Plan is therefore to provide the physical infrastructure that supports growth, labour market participation and general well being in the Province. Given the fiscal constraints that the Province is under, this plan will contain a strategy for progressive rollout according to the position of relative priorities in it.

- *A Spatial Development Framework (SDF):*

The PSDF will provide a common framework for the geographical targeting of provincial service delivery and regulatory interventions. It will also provide an indication of provincial plans to local authorities, national government and the business community, and thus facilitate improved development linkages between the spheres of government as well as its development partners.

- *Co-ordination and Communication:*

To render the first five priorities effective would require excellent cooperation and a well articulated common sense of purpose between the provincial and local government spheres and between them and civil society and the business sector.

- *Improving Financial Governance:*

Without diligent and well targeted use of finite financial resources, the ideals articulated in *iKapa elihlumayo* will not be fully attained, if at all.

- *Provincialisation of Municipal rendered services:*

A long outstanding issue relates to the rationalisation of services between provincial and municipal spheres so as to achieve optimisation and clear accountability lines.

These eight priorities were derived from an overview of development challenges in the province (the SER), thorough assessments of provincial service delivery (Medium Term Expenditure Committee - bilaterals, Efficacy reviews, Efficiency reviews) and extensive deliberations through the process that culminated in the Provincial Growth and Development Summit (PGDS).

4.3 Implementing *iKapa elihlumayo*

While the Provincial MTBPS 2004 – 2007 provided the broad framework for the development of *iKapa elihlumayo*, it did not develop each of the individual components thereof. To this end Cabinet assigned key roles and responsibilities to each department, including the designation of five lead departments, each who are charged with the development of their individual strategies. Likewise each of the eight provincial priorities that constitute *iKapa elihlumayo* has to be developed, driven and coordinated by a designated provincial department.

In addition to having the responsibility to design, develop and implement these plans, the lead role of departments has an added strategic dimension. Almost all these plans involve a variety of other role-players both inside and outside of provincial government. The leadership role of the designated departments would also entail the coordination and incorporation of important actors that fall outside of their immediate sphere of influence. It is for this reason that many of the strategies and plans have to be designed in partnership with other significant developmental partners and service providers in the Province.

More generally this speaks of a more pro-active approach to governance that has begun to mark governments across the world. This reverses to some extent the rolling back of the state in the 60s and 70s that left all issues of distributive justice to the 'invisible hand' of the marketplace to resolve. It should be realised that this magical formula is not succeeding, requiring more interactive and innovative approaches to governance. This is also what society is asking of our government: not just to deliver services, but also to provide strategic leadership to society more broadly. Not just to spend taxpayer's money, but to find creative ways of obtaining the maximum return for every Rand spent. And this often means greater cooperation and coordination with other governments, civil society and the private sector. It is for this reason that Cabinet designated a number of departments as lead departments to intensify and extend their sphere of activity.

Table 4.1: *iKapa* Strategies, Lead Departments and Partners

<i>iKapa</i> Intervention	Lead Department	Supporting Departments	Other Partners
Social Capital Formation Strategy	Social Services & Poverty Alleviation	Health, Education, Culture and Sport, Community Safety, Transport & Public Works	Civil Society Organisations
Human Resource Development Strategy	Education	Provincial Administration, Transport and Public Works, Health, Agriculture	SETAs ¹ , Universities, Private facilities
Strategic infrastructure Plan	Transport and Public Works	Housing, Environmental Affairs and Development Planning	Local Government, Parastatals
Micro-economic strategy	Economic Development & Tourism	Agriculture, Environmental Affairs and Development Planning	Private Sector
A Spatial Development Framework	Environmental Affairs and Development Planning	All Departments	Local Authorities, Private Sector

iKapa elihlumayo firstly combines short and long-term strategies. Through the payment of grants and the Extended Public Works Programme (EPWP), the elihlumayo drive provides short-term relief to the poor and unemployed. Over the long term, structured human resource development, targeted and coordinated infrastructure spending and investment promotion should put in place key pillars of higher levels of sustained growth and employment.

iKapa elihlumayo secondly combines economic interventions with social interventions. So while it pursues economic growth and higher levels of employment, it also puts in place programmes to regenerate social capital by supporting especially the youth and families.

The goal of the Spatial Development Framework (SDF) is to guide the appropriate geographical targeting of service delivery in the Province. In this way it ensures a common set of assumptions in the delivery of the other departments in terms of the spread of economic development, availability of employment, the occurrence of poverty, the spread of criminal activity, disease, etc.

¹ Sector Education and Training Authorities

In the same way the Strategic Infrastructure Plan, apart from its own direct and indirect economic impacts, also has to support the Social Capital Formation and Micro-Economic Strategies in particular. The institutions that support and generate growth, jobs and social capital must be made accessible to the intended beneficiaries by the appropriate infrastructure.

4.4 What will *iKapa elihlumayo* deliver?

Because many of the strategies that make up *iKapa elihlumayo* are still in the process of being finalised, many of the above linkages will need to be developed further over time. Some of the specific goals that will be pursued were, however, agreed on by government and its social partners at the Provincial Growth and Development Summit in November 2003. While many of these commitments demand synergy between provincial strategies, they have been categorised below by the priority area that they address. It is also important to note that these goals will not be the only ones to be pursued by the *iKapa* strategy. The complete set of targets will be generated by each of the lead departments as and when they finalise their strategies, although the objectives listed in the individual Budget Statement 2's give a preliminary indication of what these will be.

Human Resource Development

- Implementing a Human Resource Development Strategy with an emphasis on preparing the youth for employment through 10 000 new learnerships, and the alignment of Further Education and Training priorities with economic reality, and
- Focus on the effective functioning of SETA's and to participate proactively in a Provincial Skills Development Forum for the implementation of the HRD strategy.

Economic Growth

- Accelerated export growth and increased investment in all priority economic sectors through supply-side support measures, co-ordinated marketing campaigns focused on key global markets and public-private investment in collaborative sector platforms and projects;
- Strengthening the Proudly South Africa campaign locally, in particular through our public and private procurement processes;
- Improving the investment environment by increasing capacities and efficiencies and by co-ordinating policies and processes across and between different spheres of government, with respect to safety and security, and the regulatory environment for planning and environmental impact;
- Work in partnership to attract new investment of R5 billion into the priority economic sectors by the year 2006;
- Reviewing the regulatory framework for informal trading in order to make it more conducive to developing micro and small traders;
- A comprehensive and broad-based empowerment strategy that encompasses access for historically marginalized groups to procurement opportunities in the public and private sectors;
- Identifying concrete opportunities for co-operatives to be nurtured and developed in the key economic sectors;
- Integrated system for service delivery to small business, and
- A pilot project to incubate and graduate 100 emerging entrepreneurs (30% of whom will be women) providing the full spectrum of services in a co-ordinated and integrated system.

Job creation and Social Capital Regeneration

- Creating at least 120 000 net new jobs by 2008 within the priority economic sectors;
- Implementing an Expanded Public Works Programme at all levels of government as short term amelioration for high unemployment of low skilled people and for critical economic and community requirements;
- Establishing a permanent provincial rapid response unit comprising the social partners to defend current investments and jobs, and
- HIV/Aids, TB and foetal alcohol syndrome prevention and treatment are prioritised.

Infrastructure Investment

- Significantly increasing levels of investment in key economic and social infrastructure from the current 1.1% of GDP to 2.5% of the GDP by the year 2008 guided by a Provincial Strategic Infrastructure Plan and the integrated development planning process, aligned to the National Spatial Development Perspective.

While the policy framework and delivery goals make up the ideal towards which provincial service delivery will strive, the extent to which it can be reached will largely depend on the revenue to which it has access. Before describing the revenue that the province will have access to over the next three years, we outline the budget process that translated provincial policy priorities into budget allocations.

5. The 2004 Budget Process

The chief goal of the 2004/05 provincial budget process was to translate the derived provincial priorities into departmental budgets as completely as possible. 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 2004/05 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 2003 as a baseline. These drafts were submitted in September 2003 and assessed by the Provincial Treasury through a series of bilateral meetings with departments.

This year these assessments were for the first time informed and supported by a series of reviews prepared beforehand by the Treasury. These included a Sector Efficacy Review, an Expenditure Review, a Resource and Revenue, a Review of Local Government, Reviews of Financial Governance, Accounting and Asset Management, and a Socio-Economic Review. The results of the assessments as well as these reviews were consolidated into a Provincial Medium Term Budget Policy Statement (MTBPS 2004 - 2007) 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 2004-2007 was accepted by the Provincial Cabinet and tabled in the Provincial Parliament during November 2003.

The second cycle started when departments were requested to refine their draft budgets and strategic plans based on the policy direction and preliminary allocations provided in the MTBPS 2004 - 2007. These revised departmental budgets and strategic plans were submitted in December 2003 and assessed in January 2004. 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.

6. Receipts

Provincial revenues consist of national payments in the form of equitable share and conditional grants, as well as provincial own revenue. Table 6.1 sets out a summary of provincial receipts, i.e. actual revenue for 2000/01, 2001/02 and 2002/03, changes in estimated revenue for 2003/04 and budget estimates for 2004/05, 2005/06 and 2006/07.

Taking account of national revenue trends, provincial tax and administrative policy charges and macroeconomic projections, total provincial revenue is calculated to be R17,979 billion in 2004/05, which is 7.15% more than the 2003/04 revised estimate. Between 2003/04 and 2006/07, provincial receipts are expected to grow at an annual average rate of 7.94% (i.e. 7.15% in 2004/05, 8.66% in 2005/06 and 8.03% in 2006/07). This translates into real growth rates in national transfers over this period, relative to official inflation estimates.

From 2000/01 to 2003/04 overall provincial receipts grew at an annual average rate of 12.11%. This growth is largely attributable to growth in national payments (mainly as a result of buoyant growth in national tax revenue) in the form of the equitable share (12.10%) and conditional grants (6.52%) which comprised 92.53% of total provincial revenue in 2003/04.

Provincial own receipts, an important source of funding at the margin, also experienced strong revenue growth from 2000/01 to 2003/04 (an average of 17.92%) following comprehensive policy reforms and administrative improvements, but marginal increases are projected over the MTEF due to changes in revenue patterns, the diminishing liquidity in the provincial revenue fund, declining interest rates and the concurrent reduction in investment revenue.

In the Budget 2004 and over the MTEF, national payments comprised on average 94.20% of total provincial receipts, of which 79.79% flows through the equitable share. The remaining 14.41% flows as conditional grants.

Table 6.1 Summary of provincial receipts										
Provincial receipts	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimate			
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000				2004/05 R'000	% Change from Revised estimate 2003/04	2005/06 R'000	2006/07 R'000
Transfer receipts from national	11 143 616	12 085 862	13 313 388	14 963 624	15 510 768	15 510 768	16 883 971	8.85	18 414 672	19 927 332
Equitable share	9 235 141	9 869 840	11 294 254	12 691 961	13 219 029	13 219 029	14 319 814	8.33	15 627 650	16 824 969
Conditional grants	1 908 475	2 216 022	2 019 134	2 271 663	2 291 739	2 291 739	2 564 157	11.89	2 787 022	3 102 363
Financing			6 260				366 169		122 681	113 233
Total transfer receipts from national	11 143 616	12 085 862	13 319 648	14 963 624	15 510 768	15 510 768	17 250 140	11.21	18 537 353	20 040 565
Provincial own receipts										
Tax receipts	391 725	569 793	665 117	721 100	760 570	761 993	771 293	1.22	820 300	875 626
Non-tax receipts	325 903	347 916	427 151	282 571	438 764	441 451	286 580	(35.08)	263 283	263 511
Sale of goods and services other than capital assets	168 526	156 081	168 643	142 559	191 252	195 535	191 440	(2.09)	199 460	218 074
Fines, penalties and forfeits	2 188	1 807	2 349	1 856	1 856	1 587	350	(77.95)	350	350
Interest, dividends and rent on land	155 189	190 028	256 159	138 156	245 656	244 329	94 790	(61.20)	63 473	45 087
Transfers received	8 110	10 998	9 696	8 215	8 215	9 842	8 901	(9.56)	9 124	9 124
Sale of capital assets	4 355	2 582	3 784	19	22 279	23 617	24 020	1.71	24 020	24 022
Financial transactions	34 640	23 681	9 675	3 765	6 265	17 074	3 938	(76.94)	4 356	4 356
Total provincial own receipts	764 733	954 970	1 115 423	1 015 670	1 236 093	1 253 977	1 094 732	(12.70)	1 121 083	1 176 639
Total provincial receipts	11 908 349	13 040 832	14 435 071	15 979 294	16 746 861	16 764 745	18 344 872	9.43	19 658 436	21 217 204

6.1 The provincial equitable share

Section 214(1) of the Constitution of South Africa requires that every year an Act of Parliament (Division of Revenue Act) determine the equitable division of resources between the three spheres of government, and the horizontal division among provinces. The Intergovernmental Fiscal Relations Act gives effect to section 214 of the Constitution by setting out the process of intergovernmental consultation. It established the Budget Council and Budget Forum - the consultative intergovernmental forums for the budget process whilst Sections 9 and 10(4) of the Act set out the consultation process to be followed.

Section 214(2)(a) – (j) of the Constitution sets out the ten factors that must be considered, including fiscal capacity of recipients, disparities between provinces and obligations in terms of national policy, before allocations are made to the different spheres.

The division of revenue between the spheres of government is the culmination of extensive consultation processes and is among the most important decisions made annually. The equitable share formula recognises that provinces have different demographic and economic profiles and markedly different levels of economic development. The equitable share formulae are therefore biased in favour of the poorer provinces.

The provincial equitable share allocation is used to fund the bulk of public services rendered by provinces, hence it is the largest of the provincial allocations from the national government. It is divided horizontally between provinces on the basis of a redistributive provincial equitable share formula currently comprising seven components/weights i.e. education (41%), health (19%), social security (18%), basic (7%) economic activity (7%), backlog (3%) and institutional (5%). Funds from the equitable share are fungible and provincial government have some discretion in choosing their own budget mixes given underlying cost implications and national policy guidelines. The “share allocations” in the formula are therefore merely broad indications (weights of relative needs) and not intended as indicative budgets or guidelines on how much should be spent on a specific function.

The current equitable share formula was designed to be phased in over a five-year period achieving ultimate target shares in 2003/04. The Western Cape’s share declined annually over the four-year period from 9.8% in 1999/2000 to 8.9% in 2003/04, an annual shift of almost R1,428 billion in 2004/05 Rands away from the Western Cape.

Updates of the data variables driving the equitable share formula are effected on an annual basis, depending on availability of official data. Government agreed that the structure and components of formula principally be kept the same, but that some of the individual components of the formula be updated for Budget 2004. This was done using Census 2001 data for the education and basic components and GDPR data for the economic component, mainly to take account of the significant movements in population between provinces. For Budget 2005, government agreed to a more wide-ranging review, covering aspects pertaining to the restructuring of the formula, weights of components and other economic development and poverty related policy considerations. This comprehensive review is also timed to coincide with the imminent change in the financing and administrative arrangements relating to the delivery of social security grants.

The outcome of the Census 2001 data saw significant population movements primarily from predominantly rural to urban provinces, resulting in shifts in relative demand for public services and resources thus impacting on the equitable share. In the case of the Western Cape the percentage share of population increased from 9.7% to 10.1% between 1996 and 2001, reflecting a five-year change in population growth of 14.34% or annually at an average of 2.72%, with a population attraction rate of 0.35% chiefly from the Eastern and Northern Cape provinces.

For the 2004 Budget a number of data updates to the formula were effected using 2001 Census data, i.e. the education component was updated by replacing average enrolment data with 2000-2002 enrolment figures and by changing to the 5 – 17 school age cohort to take account of Early Childhood Development. The basic component was updated with the changed population shares. The remuneration data previously used in the economic activity component has been replaced with the Gross Domestic Product by Region (GDPR) data.

Table 6.2 summarises the impact of the changes for the 2004 Budget, for each of the three components. The table shows the weighted shares applied in determining the 2004 baseline allocations and the new target shares after updating the formula with data for the selected components as discussed.

Table 6.2: Equitable share changes: Western Cape

	Old share	Changes			New Share	Change in share
		Education	Basic	Tax		
Western Cape	8.9%	0.2%	0.3%	(0.2%)	9.0%	0.1%

The Table 6.3 shows the current structure and distribution of shares by component after taking account of the updates.

Table 6.3: Distributing the equitable share: Western Cape

	Education	Health	Social welfare	Basic share	Economic activity	Institutional	Backlog	Target shares
Weighting	41.0	19.0	18.0	7.0	7.0	5.0	3.0	100.0
Western Cape	8.2	8.9	8.8	10.1	14.2	11.1	3.6	9.0

To ensure stability in provincial budgets, it was agreed at the Budget Council to smooth the impact of the Census 2001 updates by adopting a three-year phasing-in period to ensure that the changes do not lead to reductions in the baseline allocations of some provinces. This phasing impacts on the equitable share that would have been allocated to the Western Cape as the phasing-in allows the equitable share allocation to the Western Cape to grow slightly slower than what it would otherwise have been. In global (country-wide) terms however, the phasing-in over three years allows for all provinces to receive increases over their baseline allocations.

Table 6.4 below shows the current weighted share of the Western Cape and the impact of the three-year phasing over the MTEF in reaching its target shares.

Table 6.4: Phasing in the equitable share

	2003/04	2004/05	2005/06	2006/07
Percentage	Base shares	3-year phasing		
<i>Phasing</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>
Western Cape	8.91	8.95	8.99	9.03

It was agreed in principle that the review of the other components would be central to the full review that is to be conducted in 2004 for implementation in Budget 2005. One major issue that remains a challenge is how to adjust the equitable share to take account of mid-term population projections as the Census 2001 data is already two years old and in-migratory effects are likely to have a major impact on the services to be rendered by this Province.

On the other hand, the review of the intergovernmental fiscal system (the provincial equitable share formula and conditional grants) may lend further support to the increasing tendency to increase funding to poor geographical regions. Examples are the proposed norms-based funding for primary health care services and in welfare, as well as the national resource targeting framework in education and possible removal of the double weighting within the equitable share formula for education.

Many of these initiatives are sectoral initiatives meant to correct crowding out by social security. Underlying these, however, are the principles of per capita income augmentation (after transfers) or social wage issues and geographic re-distribution (within and between provinces).

The implementation of all of these changes could result in downward adjustments of the equitable share formula for the Western Cape, although equity targets were supposed to have been reached in 2003/04. The further problem with the current formula is that it is retrospective and does not reward efficiency. In addition, the major conditional grants have incorporated geographical equity drivers but these do not factor in the time lags necessary for the establishment and consolidation of the desired geographical shifts.

Over the course of the MTEF the equitable share allocation will rise from an adjusted estimate of R13,219 billion in 2003/04 to R14,320 billion, R15,628 billion and R16,825 billion respectively in 2004/05, 2005/06 and 2006/07, representing a growth rate of 8.33% from 2003/04 to 2004/05 and an average annual growth of 8.37% from 2003/04 to 2006/07. The equitable share baseline increase are R475,564 million, R692,057 million and R1,889 billion (using 2005/06 as a base) in 2004/05, 2005/06 and 2006/07 respectively. These changes have primarily come about after a range of engagements with the National Treasury and other national departments where inter alia a range of pressures on provincial budgets were identified. The baseline adjustments are intended to broadly cater for:

- Personnel adjustments for the anticipated revisions to salary adjustments and the carry through effect of these;
- Policy adjustments for (a) the carry-through effect of projected spending in social security grants and further take up of beneficiaries, (b) further increases in the school-based non-personnel non-capital expenditure; (c) adjustments to remuneration packages of personnel with scarce skills in health; and (d) the stepping up of provincial economic services functions, such as support for emerging farmers, including beneficiaries of, the Land Redistribution for Agricultural Development and programmes with high labour intensity.
- Further late adjustments amounting to R130,628 million, R196,856 million and R274,484 million in 2004/05, 2005/06 and 2006/07 respectively were made to assist with:
 - Pressures in social development budgets mainly due to the rapid take-up of the disability grants and to provide for further grant administration administrative costs if these are not sufficiently catered for, and
 - General support to Health budgets and to bolster the administrative capacity of provincial health departments to roll out the anti-retroviral (ARV) treatment programme.

6.2 Conditional grants

Conditional grants are national transfers to provinces, mostly introduced in 1998/99 to provide for national priorities and to compensate provinces for cross-boundary use of services, particularly in hospital services. They are specifically used to:

- provide for national priorities in provincial and local government budgets;
- promote national norms and standards;
- compensate provinces for cross-boundary flows;
- effect transition by supporting capacity building and organisational reforms, and
- address backlogs and regional disparities in social infrastructure.

The current grants system has been shaped by major reforms that have been introduced to enhance inter alia accountability, monitoring, reporting and administration responsibility of these grants. These reforms have contributed to clarifying accountability between spheres. They have also helped sharpen description of policy objectives and grant outputs, thus resulting in improved use of grants in speeding delivery, and the strengthening of parliamentary oversight.

Table 6.5 and Table A.1 sets out the conditional grants for the 2004 MTEF as discussed in more detail below.

Three new conditional grants have been introduced, the first two being the Comprehensive Agricultural Support Programme (CASP) (R13,765 million in 2004/05, R17,206 million in 2005/06 and R20,648 million in 2006/07) and the Land Care grant (R3,500 million in 2004/05, R2,500 million in 2005/06 and R3 million in 2006/07), both allocated to Agriculture. The third, a Mass Sport and Recreation participation programme (R1 million in 2004/05, R2,670 million in 2005/06 and R4,340 million in 2006/07) has been allocated to Cultural Affairs and Sport.

With the exception of major additions in grant funding for HIV/AIDS, Provincial Infrastructure and the Extension of the Child Support grant, the level of funding for programmes already funded through conditional grants remain broadly stable.

A major shift occurs in conditional grant administration is in the management of the Integrated Nutrition Programme (INP). The objectives of this grant were previously to fund school feeding, administration of school feeding and a range of nutrition related activities and associated administration in provincial health departments. From 2004/05 the school feeding portion of the grant will be administered by the education sector and funding has accordingly been transferred to Education. The portion that supports non-school feeding programmes remains with Health to assist with other nutrition programmes.

In total, conditional grants grow by R65,416 million, R92,720 million and R408,061 million respectively over the next three years in line with national government's policy priorities. Overall, conditional grants will amount to R2,564 billion, R2,787 billion and R3,102 billion in 2004/05, 2005/06 and 2006/07 respectively. This represents an average annual increase of 10.38%, i.e. 11.179% in 2004/05 on the previous year and a 8.69% and 11.32% year-on-year increases in 2005/06 and 2006/07. These increases provide for inflation adjustments, policy considerations and the introduction of three new grants and substantial and rising additions for HIV/AIDS and provincial infrastructure. For the 2004/05 financial year conditional grants will constitute 15.2% of total national transfers to the Province. It is foreseen that this percentage will remain more or less at the same level over the MTEF.

As part of the full review of the current fiscal transfer system the Budget Council resolved that a full assessment of all conditional grants and their formulae should also be conducted this year. The extent to which conditional grant formulae complement the equitable formula to facilitate attainment of policy objectives will be assessed as well. It will entail an examination of the large conditional grants to determine whether they are still appropriate in their current form and funding levels.

Education grants

For the past three years the national Department of Education administered grants for financial management and school quality enhancement, early childhood development and HIV and AIDS. The Early Childhood Development and Financial Management and Quality Enhancement grants have been phased into the provincial equitable share for Budget 2004.

Starting this year, Education will be responsible for the management of the primary school nutrition programme (PSNP). The PSNP amounts to R36,617 million in 2004/05, R40,135 million in 2005/06 and R48,313 million in 2006/07. The funding for the HIV and AIDS life skills in schools programme increases from R10,543 million in 2003/04 to R11,847 million in 2006/07.

Health Grants

Health grants (inclusive of Hospital Revitalisation which is reflected under Transport and Public Works) constitute about 62,25% of total conditional grants in 2004/05, declining to 58,807% in 2005/06 and 56,79% by the outer year of the MTEF. Health related grants total R1,596 billion in 2004/05, and are budgeted to increase at an annual average rate of 5,2% to R1,762 billion by 2006/07.

The National Tertiary Services grant (NTS grant) and a Health Professions Training and Development grant (HPTD) are the largest grants whilst the HIV/AIDS grant receives the largest percentage increases over the MTEF (42,25% and 40,29% in 2005/06 and 2006/07 respectively). A baseline adjustment of R13,375 million will be added to the Hospital Revitalisation Grant in 2006/07 bringing it to R115,626 million to extend the programme to further hospitals.

The HIV/AIDS conditional grant, in addition to other interventions, is one of the key funding streams to mitigate the impact of the disease. An amount of R147,573 million has been added to the baseline (R23,301 million, R46,602 million and R79,821 million per annum) over the MTEF, with the promise of more, provided spending keeps up with the allocation, together with demonstrated efficacy and capacity to spend. The increases are meant to formally implement and to further extend a comprehensive antiretroviral (ARV) treatment programme over the three MTEF years.

The grant increases from R24,2 million in 2003/04 to R115,6 million in 2006/07 to support various aspects of the programme. In addition to providing for ARV treatment rollout, the grant provides for post exposure prophylaxis for victims of sexual abuse, roll-out of mother-to-child transmission prevention and targeted interventions for commercial sex workers – whilst maintaining other HIV and AIDS prevention programmes.

The National Tertiary Services grant (NTS grant) has declined in real terms for this province (and Gauteng) in line with interprovincial equity considerations and the building up of tertiary care services in other provinces. This has resulted in the proposed restructuring of health services in the Western Cape, Healthcare 2010, which will scale down central hospital beds and bring about a corresponding shift to lower levels of care to primary health care and community and district hospitals. Such restructuring requires a comprehensive strategy (Healthcare 2010) to shift staff, resources and assets, and a realistic phasing-in period of implementation.

At a technical level, the national Department of Health and National Treasury has agreed on the need for comprehensive review of the funding of academic (central) hospitals with a view to rationalising health conditional grants (as part of the comprehensive review planned for 2005). Such a review must also inform government on the long-term vision for such hospitals and for tertiary services in particular, the distribution between provinces, the restructuring required to effect such transformation, and financing of academic hospitals, linked as they are to university medical schools.

This review of the funding of central hospitals has to be completed by 30 September 2004, in time for the 2005 budget process. The NTS grant amounts to R1,104 billion in 2004/05, increasing marginally to R1,189 billion in 2006/07. As stated a more equitable funding distribution of the grants is being progressively phased in, but given the historic pattern of tertiary services with the Western Cape and Gauteng providing a large proportion of these sophisticated services for the benefit of the country as a whole, 66,3 % of the overall grant still flows to these provinces in 2004.

The NTSG Review as conducted by the national Health department analysed service outputs for the first couple of years of the grant's functioning, but the results have not as yet been made public or available for assessment. The Modernisation of Tertiary Services project is examining a ten-year framework for future provision of highly specialised services. The outcome of these two projects should inform government's approach to future funding staffing and equipping of tertiary services.

The Primary School Nutrition Programme (PSNP) component of the Integrated Nutrition Programme (INP) shifts to Education from 2004/05. The health sector will manage the remainder of the INP such as the management of malnourished children under the age of five. Health retains R4,809 million in 2004/05 and R5,288 million in 2005/06 to continue with the programme for another two years before being subsumed into the equitable share.

Social Services grants

The Child Support Extension Grant has been strengthened further as the current take-up rate indicates that additional funding may be required for its full implementation. Additional allocations of R15,853 million, R31,442 million and R155,746 million are proposed for the 2004 MTEF. The steep jump in 2006/07 caters for the completion of the phasing in of the grant to children up to the age of 14 years.

Housing grants

Both grants administered by the department of Housing, i.e. the Housing Subsidy grant (by R25,644 million and R27,659 million) and the Human Resettlement and Redevelopment grant (by R0,662 and R0,701 million), show a reduction in 2005/06 and 2006/07 respectively.

Transport and Public Works: Provincial Infrastructure grant (PIG)

The Provincial Infrastructure Grant grows cumulatively by R94,404 million over the next three years, increasing from R139,726 million in 2003/04 to R179,215 million in 2004/05 and to R223,215 million by 2006/07. This growing allocation is in line with government's aim of stimulating rural and provincial economic development and addressing unemployment through an Expanded Public Works Programme that will also address the rehabilitation and construction of roads, schools, and health facilities as well as the infrastructure supporting rural development.

Agriculture: Provincial Infrastructure grant (PIG)

Additions of R8,125 million, R11,847 million and R11,987 million have been made available to Agriculture over the MTEF through the Provincial Infrastructure Grant for the extension of agricultural development, but particularly aimed at emerging farmers and land reform and strengthening the current infrastructure allocation already made. The total PIG funding now to Agriculture increases from R7,304 million in 2003/04 to R29,772 in 2006/07.

Other Agriculture grants

Two new grants, i.e. the Land Care Grant and Comprehensive Agriculture Support Programme (CASP) compliment additions to this vote in 2004/05, 2005/06 and 2006/07 to the amounts of R3,5 million, R2,5 million and R3 million respectively to implement the Land Care Programme. The goal of the Land Care Programme is to promote the sustainable use and management of natural resources. It also hopes to encourage and empower communities to take responsibility for the management of resources in order to support food security and job creation through increased productivity, and includes water care, soil care and junior land care programmes.

The Comprehensive Agriculture Support Programme (CASP) has been introduced to provide effective agricultural support and to streamline the provision of services to meet the needs of emerging farmers. Increasing access to agricultural services by these farmers is a critical component of the land reform programme, especially the Land Redistribution for Agricultural Development (LRAD) programme. The Department is allocated R13,765 million, R17,206 million and R20,648 million over the MTEF years to strengthen its capacity to support emerging farmers and land reform.

Cultural Affairs and Sports

A grant called "Mass Recreation and Participation programme" has been introduced to promoted participation within disadvantaged communities in a selected number of development sport activities. A total of R1 million, R2,670 million and R4,340 million have respectively been allocated over the MTEF years.

Table 6.5 Summary of conditional grants by grant									
Vote and grant	Outcome			Adjusted appropriation 2003/04	Actual transfer 2003/04	Audited expenditure 2003/04	Medium-term estimate		
	Actual transfer 2000/01	Actual transfer 2001/02	Actual transfer 2002/03				2004/05	2005/06	2006/07
	R'000	R'000	R'000		R'000	R'000	R'000	R'000	R'000
Vote 3: Provincial Treasury	214 168	225 647							
Risk management system									
Financial and personnel management system support	8 666								
Supplementary allocation	205 502	207 647							
Other	205 502	184 547							
Housing: Capacity building		1 100							
Economic: National Land 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							
Vote 5: Education	41 981	46 650	58 934	65 484	65 554	65 554	47 160	51 311	60 160
Financial management and quality enhancement	15 168	16 827	18 037	18 519	18 519	18 519			
Early childhood development		1 659	4 187	6 952	6 952	6 952			
HIV/Aids (Lifeskills education)	2 297	5 017	11 376	9 518	9 518	9 518	10 543	11 176	11 847
Disaster management					70	70			
Primary school nutrition programme	24 516	23 147	25 334	30 495	30 495	30 495	36 617	40 135	48 313
Vote 6: Health	1 260 738	1 330 182	1 397 970	1 436 158	1 437 158	1 437 158	1 511 051	1 550 005	1 646 275
National tertiary services		1 011 436	1 047 438	1 076 724	1 076 724	1 076 724	1 104 087	1 121 380	1 188 663
Central hospital	961 949								
Health Professions training and development	292 326	308 776	316 364	314 696	314 696	314 696	327 210	323 278	323 278
Integrated nutrition programme	4 273	5 642	3 455	4 158	4 158	4 158	4 809	5 288	
Comprehensive HIV/AIDS Health	2 190	4 328	11 713	24 204	24 204	24 204	57 962	82 451	115 670
Medico-legal					1 000	1 000			
Hospital management and quality improvement			19 000	16 376	16 376	16 376	16 983	17 608	18 664
Subtotal Conditional grants	1 516 887	1 602 479	1 456 904	1 501 642	1 502 712	1 502 712	1 558 211	1 601 316	1 706 435

Table 6.5 (continued)

Summary of conditional grants by grant

Vote and grant	Outcome			Adjusted appropriation 2003/04 R'000	Actual transfer 2003/04 R'000	Audited expenditure 2003/04 R'000	Medium-term estimate		
	Actual transfer 2000/01 R'000	Actual transfer 2001/02 R'000	Actual transfer 2002/03 R'000				2004/05 R'000	2005/06 R'000	2006/07 R'000
Vote 7: Social Services and Poverty Alleviation	6 583	179 650	2 267	80 289	95 055	95 055	213 436	383 079	508 781
Financial management and improvement of social security system	4 583	642	1 200						
Child support extension	2 000			57 355	72 121	72 121	190 314	359 772	484 076
Social security backlog		175 508							
Victim empowerment									
Criminal justice system									
HIV/Aids (Community-based care)		1 000	1 067	2 900	2 900	2 900	3 088	3 273	3 469
Food relief				20 034	20 034	20 034	20 034	20 034	21 236
One stop child justice centre									
Social grants: regulation 11									
Marketing of the child support grant									
Disaster relief		2 500							
Vote 8: Housing	350 976	336 991	392 110	436 782	436 782	436 782	460 345	459 041	486 584
Housing subsidy	341 466	325 861	378 860	423 282	423 282	423 282	446 035	447 492	474 341
Capacity building	510								
Hostel upgrading									
Human resettlement and redevelopment	9 000	11 130	13 250	13 500	13 500	13 500	14 310	11 549	12 243
Vote 9: Environmental affairs and development planning					2 400	2 400			
Disaster damage					2 400	2 400			
Vote 10: Transport and Public Works	28 294	78 524	136 427	221 665	221 665	221 665	264 432	287 840	338 841
Provincial Infrastructure		49 524	91 427	139 726	139 726	139 726	179 215	199 215	223 215
Hospital revitalisation	28 294	29 000	45 000	81 939	81 939	81 939	85 217	88 625	115 626
Vote 11: Agriculture	315	878	6 083	7 264	9 104	9 104	43 175	49 338	53 420
Land care programme: Poverty relief and infrastructure development	315	878	1300	1 800	1 800	1 800	3 500	2 500	3 000
Comprehensive Agriculture support programme							13 765	17 206	20 648
Provincial Infrastructure			4 783	5 464	7 304	7 304	25 910	29 632	29 772
Vote 12: Local Government	5 420	17 500	25 343	24 021	24 021	24 021	23 558	3 738	3 962
Local government support	5 420	17 500	16 500						
Local government capacity building fund				20 714	20 714	20 714	20 050		
Provincial project management capacity for Municipal infrastructure (MIG) [previously CMIP1]			8 843	3 307	3 307	3 307	3 508	3 738	3 962
Vote 14: Cultural Affairs and Sport							1 000	2 670	4 340
Mass sport and recreation participation programme							1 000	2 670	4 340
Subtotal Conditional grants	391 588	613 543	562 230	770 021	789 027	789 027	1 005 946	1 185 706	1 395 928
Total Conditional grants	1 908 475	2 216 022	2 019 134	2 271 663	2 291 739	2 291 739	2 564 157	2 787 022	3 102 363

6.3 Provincial own receipts (Own Revenue)

Currently, own revenue sources of the Province remain fairly limited, consisting of motor vehicle licence fees as the chief source, together with hospital fees, interest revenue and gambling and betting taxes. Although own revenue forms a mere 6.09% of the total provincial revenue envelope in the 2004/05 budget, they do remain an important source of funding. As the current sources have upper limits, it is projected that own revenue/receipts, as a percentage of total provincial revenue, will fluctuate around more or less 5.7% over the MTEF. In this sense it keeps pace with national transfers in real terms. The in own receipts over the MTEF are captured in more detail in Table 6.6 and Table A.2. In this section only the main contributors to provincial own revenue are discussed, with specific reference to administrative and policy issues that have a bearing on their performance.

Motor vehicle licences

This source continues to represent the biggest single proportion of provincial own receipts in the Province, representing on average in excess of 60% of total own receipts over the MTEF, rising from 60.19% to 62.36% and 62.99% in 2005/06 and 2006/07. A key concern is the fact that the licence fees structure in the Western Cape is still the highest in relation to the rest of the country, mainly as a result of systematic annual increases in licence fees to soften the reducing equitable share impact on infrastructure spending. Other provinces have been less aggressive in revising their fees annually. The higher fee structure may result in the migration of vehicle licencing (particularly heavy vehicles and fleet operators) to other provinces where fees are lower and consequently threaten this revenue source. In this regard the Provincial Treasury has requested Transport and Public Works to conduct an economic and impact analysis of the annual increases on vehicle licences (tax incidence analysis) together with an assessment of whether the current licencing structure has had an effect on motor vehicle migration.

This assessment should also take into account past policy decisions to try to increase fees in order to fund escalating roads construction and maintenance costs. Until this process has been completed, it has been projected that motor vehicle licence fees will only increase by the projected annual inflation (CPI-X) rate over the 2004 MTEF, i.e. 5.5%. Ideally, annual increases in motor vehicle licence fees over the MTEF should be coupled to the rate of infrastructure building cost inflation.

Gambling and Betting

Gambling revenue is generated from the four casinos currently operating in the Province, whilst betting revenue comprises taxes generated from betting activities at the totalisator and bookmakers, with the totalisator being the biggest contributor. Gross gaming revenues generated by casino operations appear to have stabilised and, while the revenue bands applicable in respect of taxation will be periodically assessed in line with provincial policy, it is not anticipated that these revenues will show any significant changes in the course of future operations.

The gaming tables have been adjusted for the first time (1 July 2003) since its introduction in 1996 in order to mitigate the impact of inflation and the effect of fiscal drag (bracket creep).

The lag in adjustments had an effect on the real net income of operators (and indirectly on Black Economic Empowerment partners) reducing corporate profits. The published CPIX rates were used to effect this amendment. The tax bands incorporated into the 2004 Budget were adjusted to the 2001 real rate, applicable from 1 April 2004. This adjustment results in a reduction in budgeted gambling taxes, if compared to the 2003 MTEF projections, from R107 million, R108 million and R108 million in 2004/05 to 2006/07 to R98 million, R100 million and R100 million for the respective financial years. The policy intention is to try and keep a permanent three-year fiscal drag lag but this would depend on the macro-economic conditions and the overall gaming revenue and fiscal position of the Province.

Betting turnover generated by the horseracing industry can now be regarded as stable and is not expected to decline in future but to remain at around R10 million per year.

A R7 million and R14 million provision has been made in 2005/06 and 2006/07 for gambling taxes flowing from the possible introduction of the limited payout machines in the Western Cape.

Health patient fees

Hospital patient fees are generated mainly from sales of services to external or private patients in a competitive market and cannot therefore be classified as a compulsory fee. The provision of health services for subsidised patients is constitutionally mandated and is provided to patients who may also pay only a portion of the tariff, or alternatively, receive services free of charge. Given the public nature and substantial government funding related to the health sector, one can argue that public health services are not rendered in a true open-market system, which is based on the economic price theory principles of supply and demand, assuming there is no monopolizing of services.

If compared to the 2003 MTEF, an annual baseline adjustment of R37 million in 2004/05 and 2005/06 and R51,508 million in 2006/07 has been made to bring the revenue estimate in line with the estimated total in 2003/04 and to take account of initiatives by the Department to increase own revenue. Estimated revenue will increase by 28.6%, 5.36% and 4.46% year-on-year for 2004/05, 2005/06 and 2006/07 respectively. This shift can mainly be attributed to a combination of improved administration of the billing system, a renewed focus on debt collection and the implementation of revenue generation initiatives. Hospital fees, as a share of provincial revenue appear to be stabilising at around 14% of overall own revenue over the MTEF.

Interest revenue

Revenue included under this heading consists mainly of interest earned on committed funds not spent as yet and more specifically from improved cash and investment management policies.

Interest on bank balances and investments has become an important source of capital accumulation in the Province. Interest income is however projected to decline over the MTEF as a result of the lowering of the liquidity in the Provincial Revenue Fund to respond to various contingencies and the magnitude of challenges and policy objectives mentioned earlier. Surplus funds have been drawn down allowing for R420 million (apart from the R299, 504 million and R215,906 million in 2002/03 and 2003/04 respectively) to be directed to infrastructure projects over the MTEF in line with the economic stimulatory initiatives of *iKapa elihlumayo*. In comparison with the 2003/04 estimated revenue, it is projected that interest revenue will decline sharply over the MTEF estimated to amount to R61,572 million in 2004/05, R30,4 million in 2005/06 and R11,2 million in 2006/07.

Other receipts

The balance of receipts not yet discussed, rises and falls in no discernible pattern and is sourced variously from profits on trading accounts, a range of services rendered, board and lodging, contributions by universities towards expenditure incurred at academic central hospitals, tuition and examination fees, administration fees earned on insurance premiums, stale cheques, rental of provincial properties, housing revenue previously accounted for by the Housing Board, reprographic services, abnormal load permits, special vehicle licence numbers and others.

The majority of items included in "other receipts" are user charges which are revised annually by accounting officers and are based on cost recovery principles, i.e. an efficient way whereby costs are recovered for publicly provided goods and services and where the necessary incentives are provided for service delivery improvements. A further advantage of the regular revision of user charges is that it can relieve some pressure on budgets without compromising national economic policies and can within limits be expanded as required by departments.

Own receipts per vote

Table 6.6 below depicts a summary of provincial own receipts per vote since 2000/01 and over the MTEF.

Table 6.6 Summary of provincial own receipts by vote										
Provincial department	Outcome			Main appropriation 2003/04 R'000	Adjusted appropriation 2003/04 R'000	Revised estimate 2003/04 R'000	Medium-term estimate			
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000				2004/05 R'000	% Change from Revised estimate 2003/04	2005/06 R'000	2006/07 R'000
1. Provincial Administration	1 386	742	847	396	396	1 363	396	(70.95)	396	396
2. Provincial Parliament	222	164	136	70	70	219	70	(68.04)	70	70
3. Provincial Treasury	214 794	298 442	389 207	225 001	351 471	354 886	170 558	(51.94)	148 453	142 253
4. Community Safety	505	472	335	367	967	1 137	367	(67.72)	367	605
5. Education	21 857	17 550	17 093	13 440	13 440	13 440	13 440		13 440	13 440
6. Health	98 781	117 194	119 872	113 418	154 261	160 170	156 112	(2.53)	162 125	176 633
7. Social Services and Poverty Alleviation	5 511	5 694	6 688	4 060	7 060	10 589	7 260	(31.44)	7 260	8 210
8. Housing	665	400	1 399	25 162	25 162	24 825	25 077	1.02	25 077	25 077
9. Environmental Affairs and Development Planning	3 718	368	1 475	10	10	491	11	(97.76)	11	11
10. Transport and Public Works	402 496	498 546	560 642	617 835	666 595	670 818	706 591	5.33	748 986	793 925
11. Agriculture	10 093	10 053	11 476	10 364	11 114	10 514	10 528	0.13	10 528	11 620
12. Local Government			292	6	6	484	13	(97.31)		
13. Economic Development and Tourism	2 690	3 771	3 700	3 650	3 650	3 650	3 680	0.82	3 710	3 710
14. Cultural Affairs and Sport	2 015	1 574	2 261	1 891	1 891	1 391	629	(54.78)	660	689
Total provincial own receipts by Vote	764 733	954 970	1 115 423	1 015 670	1 236 093	1 253 977	1 094 732	(12.70)	1 121 083	1 176 639

What is evident from the above is that the Province has experienced a consistent growth in own revenue from 2001/02 with projections over the MTEF following the same pattern. The main contributors, making up 94.38% of the total own receipts, are the departments of Transport and Public works (chiefly motor vehicle licence fees), the Treasury (mainly gambling, betting and interest revenue) and Health (mainly hospital patient fees).

6.4 Donor funding

Negotiations with the Global Fund for HIV/Aids funding are in an advanced stage. In this regard the Department of Health is expected to receive R39,463 million in 2004/05 and R59,874 million in 2005/06 from the Global Fund to assist with ARV treatment, peer education, palliative care, community based response and operational research. The same department is expected to receive R0,103 million in 2004/05 from the World Population Foundation for interventions to reduce maternal mortality and morbidity in the Western Cape and a further R16 million per annum during 2004/05 and over the MTEF from the European Union for community home based care. No other donor funding of substance is expected to be received by this Province.

6.5 Financing

In spite of significant increases in the revenue envelope, it remains insufficient to cater for the combination of cost related spending pressures as well as key government priority objectives. The net result manifests in fairly substantial, albeit declining, shortfalls or deficits between estimated receipts and spending of R366,169 million in 2004/05, R122,681 million in 2005/06 and R113,233 million in 2006/07. Apart from this a financing capacity of R165,754 million has been set aside to fund the provincialisation of municipal rendered functions in 2007/08 as proposed in the MTBPS 2004 - 2007. This amount excludes possible assistance from the national fiscus or any contributions from municipalities and is premised on the assumption that both the provincial and local government spheres streamline their services and apply available resources to prevent duplication and promote efficiency.

As shown in Table 6.7 the deficits of R366,169 million, R122,681 million and R113,233 million in the financial years 2004/05, 2005/06 and 2006/07 will be financed by way of draw downs from accumulated capital revenues totalling R515,912 million. This includes compulsory savings of R9,437 million in 2002/03, R33,383 million in 2003/04, voluntary surrenders of R209,105 million and further tightening as liquidity management. The accumulated reserves include the R429,437 million already incorporated into Budget 2003's MTEF provisions (2004/05 and 2005/06) for capital expenditure.

Table 6.7: Financing of deficit

Financing of deficit	2004/05 Voted R'000	2005/06 MTEF R'000	2006/07 MTEF R'000	2007/08 MTEF R'000
Deficit	(366 169)	(122 681)	(113 233)	
Financed through:				
Capital accumulation	104 168	85 269	74 246	165 754
Compulsory savings	35 383			
Surrenders	228 118	37 412	38 987	
Total	-	-	-	165 754

The above amounts have been smoothed (current and capital outlays) with total revenue over the 2004/05 to 2006/07 MTEF period in order to ensure overall expenditure increases in real terms for infrastructure spending, a key component of *iKapa elihlumayo* initiatives and PGDS commitments.

7. Summary of Budget aggregates

The Budget 2004 builds broadly on the policy priorities laid down in Budget 2003, but with a further consolidation and deepening of these priorities. Table 7.1 provides a summary of estimates of the main budget components from 2000/2001 to 2006/07 i.e. receipts (own revenue and national transfers in the form of equitable share and conditional grants), provincial payments, contingency reserve and the amount of financing to cover the shortfall between revenue and payments (expenditure). The allocations over the new MTEF are intended to augment government expenditure in line with its priorities and aims and to provide some relief for spending pressures.

Table 7.1 Provincial Budget Summary										
	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimate			
	Audited 2000/01	Audited 2001/02	Audited 2002/03				2004/05	% Change from Revised estimate 2003/04	2005/06	2006/07
	R'000	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Provincial receipts										
Transfer receipts from national	11 143 616	12 085 862	13 313 388	14 963 624	15 510 768	15 510 768	16 883 971	8.85	18 414 672	19 927 332
Equitable share	9 235 141	9 869 840	11 294 254	12 691 961	13 219 029	13 219 029	14 319 814	8.33	15 627 650	16 824 969
Conditional grants	1 908 475	2 216 022	2 019 134	2 271 663	2 291 739	2 291 739	2 564 157	11.89	2 787 022	3 102 363
Financing			6 260				366 169		122 681	113 233
Provincial own receipts	764 733	954 970	1 115 423	1 015 670	1 236 093	1 253 977	1 094 732	(12.70)	1 121 083	1 176 639
Total provincial receipts	11 908 349	13 040 832	14 435 071	15 979 294	16 746 861	16 764 745	18 344 872	9.43	19 658 436	21 217 204
Provincial payments										
Current payments	7 813 700	8 384 544	9 338 504	10 644 416	10 628 489	10 591 879	11 774 716	11.17	12 425 911	13 021 248
Transfer and subsidies	3 129 465	3 390 709	4 336 129	4 895 809	5 183 000	4 956 525	5 498 650	10.94	6 032 765	6 736 667
Payments for capital assets	554 659	731 193	823 027	859 761	927 167	925 570	1 005 445	8.63	1 132 293	1 387 650
Direct charge	15 432	10 550	11 340	13 826	13 826	12 134	13 561	11.76	14 917	16 409
Unallocated contingency reserve							52 500		52 550	55 230
Total provincial payments	11 513 256	12 516 996	14 509 000	16 413 812	16 752 482	16 486 108	18 344 872	11.27	19 658 436	21 217 204
Surplus (Deficit)	395 093	523 836	(73 929)	(434 518)	(5 621)	278 637		(100.00)		

The augmented allocations from the national fiscus over MTEF 2004 are much lower than in the previous year mainly due to sluggish performance of the economy, unsettled global economic and political conditions and the appreciation of the Rand, all of which have contributed to lower than expected inflows into government coffers (tax receipts). The Western Cape is again facing a tight 2004 MTEF from a financing perspective having to balance rising cost pressures (mainly in Health and Social Security) against key deliverables. Looking forward, the intended review of the national financing formula for the Budget 2005, the diminishing liquidity in the Province's bank accounts and the concomitant reduction in investment revenue, as well as from declining interest rates will pose additional challenges. As a result the Budget 2004 is tight with limited maneuverability and not without risks, although much less so than Budget 2003.

This financing situation has aided government to carefully prioritise and reprioritise selected components of spending, and to concentrate on those that explicitly support the *iKapa elihlumayo* concept to improve socio-economic conditions in the Province.

The additional estimated receipts have been allocated to the areas reflected in Table 7.2 below in line with the priority areas reflected in the Provincial Medium Term Budget Policy Statement 2004 – 2007 and to accommodate pressure areas as identified by both the national and provincial treasuries.

Table 7.2: Allocations towards main priorities

Priorities	2004/05 Allocations R'000	2005/06 Allocations R'000	2006/07 Allocations R'000	Accumulate MTEF R'000	Per- centage
Maintaining the basics	2 212	41 309	283 153	326 674	7.45
Human resource development	112 408	233 623	464 262	810 293	18.48
MES (including LRAD, Heritage and spacial development)	82 954	86 004	92 384	261 342	5.96
Building social capital (Health, Social services)	419 184	482 687	1 333 834	2 235 705	50.98
Financial governance	20 648	16 765	17 793	55 206	1.26
Infrastructure	96 392	187 196	412 245	695 833	15.87
TOTAL	733 798	1 047 584	2 603 671	4 385 053	100.00

8. Overall Expenditure

From main Budget 2003 to Budget 2004 total expenditure increases by R1 878,825 million (11.46%) to 2004/05, R1 312,159 million (7.18%) to 2005/06 and R1 554,595 million (7.94%) to 2006/07. In real terms this translates to increases of 5.89% to 2004/05, 1.72% to 2005/06 and 2.72% to 2006/07⁴. The total budget broken down in the Summary of provincial payments and estimates by economic classification as depicted in Table 8.1 amounts to R18 278,811 million in 2004/05, R19 590,969 million in 2005/06 and R21 145,565 million in 2006/07. Actual cost inflation rates are however higher than CPIX inflation due to, amongst others, the impact of improvements in conditions of service of government employees at 9,5%⁵ in 2003/04, 7% in 2004/05, 6% in 2005/06 and 6% in 2006/07.

In the 2003 Budget, baseline allocations were published for 2004/05 and 2005/06. These are revised in Budget 2004 and a new baseline added for 2006/07. Relative to the 2003 MTEF the baselines increase by R671,319 million (3,81%) in 2004/05 and R633,798 million (3,34%) in 2005/06.

4 The following CPIX inflators are used throughout this publication: 5.26% for 2004/05; 5.37% for 2005/06 and 5.08% for 2006/07. Source i.e. National Treasury benchmark tool 2004/05 budget.

5 Rates quoted are inclusive of pay progression.

Table 8.1 Summary of provincial payments and estimates by economic classification

Economic	Outcome			Main appropriation 2003/04 R'000	Adjusted appropriation 2003/04 R'000	Revised estimate 2003/04 R'000	Medium-term estimate			
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000				2004/05 R'000	% Change from Revised estimate 2003/04	2005/06 R'000	2006/07 R'000
Current payments	7 813 700	8 384 544	9 338 504	10 644 416	10 628 489	10 591 879	11 774 716	11.17	12 425 911	13 021 248
Compensation of employees	6 125 160	6 493 390	6 976 263	7 738 831	7 681 700	7 587 384	8 529 706	12.42	8 885 386	9 256 013
Goods and services	1 681 240	1 883 358	2 355 015	2 901 625	2 942 342	2 999 853	3 240 760	8.03	3 536 110	3 760 599
Interest and rent on land	4 057	2 752	1 922	2 379	2 379	2 379	2 503	5.21	2 671	2 807
Financial transactions in assets and liabilities	3 243	5 044	5 304	1 581	2 068	2 263	1 747	(22.80)	1 744	1 829
Unauthorised expenditure										
Transfers and subsidies to	3 129 465	3 390 709	4 336 129	4 895 809	5 183 000	4 956 525	5 498 650	10.94	6 032 765	6 736 667
Provinces and municipalities	320 356	298 625	310 042	317 834	390 468	369 135	306 592	(16.94)	318 763	331 986
Departmental agencies and accounts	80 496	100 079	89 041	90 776	111 949	111 949	122 117	9.08	126 610	130 644
Universities and technikons	31 292	34 291	41 075	49 569	47 797	47 797	51 090	6.89	53 646	56 765
Public corporations and private enterprises	396	8 460	3 954	550	550	550		(100.00)		
Foreign governments and international organisations	61	113	100	98	98	98	100	2.04	105	110
Non-profit institutions	560 943	661 367	831 446	780 868	852 971	851 751	763 125	(10.41)	791 880	831 482
Households	2 135 921	2 287 774	3 060 471	3 656 114	3 779 167	3 575 245	4 255 626	19.03	4 741 761	5 385 680
Payments for capital assets	554 659	731 193	823 027	859 761	927 167	925 570	1 005 445	8.63	1 132 293	1 387 650
Buildings and other fixed structures	435 334	491 144	587 648	635 955	679 180	679 180	772 501	13.74	930 705	1 178 829
Machinery and equipment	118 491	231 150	233 524	221 806	244 217	242 620	226 713	(6.56)	195 354	202 278
Cultivated assets										
Software and other intangible assets	1				1 490	1 490	4 131	177.25	4 034	4 243
Land and subsoil assets	833	8 899	1 855	2 000	2 280	2 280	2 100	(7.89)	2 200	2 300
Total economic classification (excludes direct charge)	11 497 824	12 506 446	14 497 660	16 399 986	16 738 656	16 473 974	18 278 811	10.96	19 590 969	21 145 565
Direct charge	15 432	10 550	11 340	13 826	13 826	12 134	13 561	11.76	14 917	16 409
Total economic classification (including direct charge)	11 513 256	12 516 996	14 509 000	16 413 812	16 752 482	16 486 108	18 292 372	10.96	19 605 886	21 161 974

Compensation of employees

Compensation of employees constitutes R8 529,706 million or 46.66% of total expenditure in 2004/05. It grows to R9 256,013 million in 2006/07 but, as a share of total expenditure it falls to 43.77% in 2006/07. The main reason for this is the burgeoning growth of social security grants. Nonetheless, the percentages hide the fact that the number of full time equivalent posts projected to be filled at 31 March 2005, compared to that estimated to be filled as at 31 March 2004, reflects an overall increase of 761 people.

The increase in personnel expenditure, caters for inter alia, the traditional carry through costs for improvement of conditions of service from 2003/04 as well as new improvements with effect from 20004/05 and subsequent years.

Table 8.2 reflects the above.

Table 8.2 Summary of personnel numbers and costs by vote						
Provincial department		As at 31 March 2001	As at 31 March 2002	As at 31 March 2003	As at 31 March 2004	As at 31 March 2005
1. Provincial Administration	(numbers) (R'000)	587 78 567	551 83 575	501 91 987	540 104 041	767 128 770
2. Provincial Parliament	(numbers) (R'000)	47 8 690	53 9 356	59 11 139	61 14 174	72 17 313
3. Provincial Treasury	(numbers) (R'000)	211 22 397	202 28 408	170 30 231	202 31 862	218 48 341
4. Community Safety	(numbers) (R'000)	291 14 466	446 39 466	570 52 896	610 72 922	713 83 196
5. Education	(numbers) (R'000)	37 703 3 715 544	37 847 3 959 554	37 847 4 331 182	37 866 4 626 271	37 466 4 856 641
6. Health	(numbers) (R'000)	24 123 2 065 549	24 885 2 213 463	23 965 2 370 274	23 384 2 474 817	23 384 2 896 840
7. Social Services and Poverty Alleviation	(numbers) (R'000)	1 468 128 503	1 371 146 826	1 357 173 133	1 496 219 100	1 496 231 574
8. Housing	(numbers) (R'000)	276 24 419	268 29 829	271 34 376	293 37 734	362 50 526
9. Environmental Affairs and Development Planning	(R'000)	162 17 556	218 22 784	218 31 053	206 37 249	285 45 861
10. Transport and Public Works	(numbers) (R'000)	1 392 92 160	1 424 103 000	1 471 112 707	1 385 141 541	1 894 174 408
11. Agriculture	(numbers) (R'000)	612 64 838	614 68 296	685 74 492	731 86 487	795 116 495
12. Local Government	(numbers) (R'000)	59 8 726	68 11 199	75 13 461	130 19 925	155 29 099
13. Economic Development and Tourism	(numbers) (R'000)	45 7 368	56 8 211	56 10 238	124 20 945	124 24 478
14. Cultural Affairs and Sport	(numbers) (R'000)	406 28 583	425 32 555	430 37 029	535 51 276	593 68 638
Total provincial personnel numbers		67 382	68 428	67 675	67 563	68 324
Total personnel cost		(R'000) 6 277 366	6 756 522	7 374 198	7 938 344	8 772 180
Unit cost		(R'000) 93	99	109	117	128

Social sector

Social sector expenditure (excluding the expenditure vested at the department of Transport and Public works for the social sector) constitutes R14 698,755 million or 80.41% of total expenditure in 2004/05, growing to R16 943,050 million but decreasing slightly to 80.13% of the total budget in 2006/07.

From main Budget 2003 to Budget 2004 (year-on-year) total expenditure increases by R1 613,604 million (12.33%) to 2004/05, R1 059,716 million (7.21%) to 2005/06 and R1 184,579 million (7.52%) to 2006/07. In real terms it reflects increases of 6.72% to 2004/05, 1.74% to 2005/06 and 2.32% to 2006/07.

These allocations will fund a number of key interventions conceived of as part of the *iKapa elihlumayo* strategy.

Firstly provision has been made for the development and implementation of the provincial human resource development strategy by the Department of Education. This amounts to R23,5 million in 2004/05, R125 million in 2005/06 and R131,375 million in 2006/07.

Secondly the allocations to the Department of Social Services and Poverty alleviation will fund the development and implementation of the Social Capital Formation strategy. Other increases provide for , inter alia, the phase-in of the extension of the child support grant (ages 9 to under the age of 14) over the MTEF period, the increase in values of social security grants retain to purchasing power in real terms and to allow for further growth in grant beneficiaries. All of these will further alleviate the impact of poverty, but increasingly constrains spending on the balance of the social sector.

Additional allocations to the Health department will also support the formation of social capital in the province. Within Health additions have been made for AIDS administration support supplementary to the increase in the national conditional grant to Health (HIV/AIDS).

A specifically and exclusively appropriated allocation of R42,040 million in 2004/05, increasing by the inflation rate over the MTEF, is also provided for the replacement of outdated/redundant critical medical equipment in Health, which should enhance service delivery efficacy.

Apart from the usual cost drivers in personnel expenditure (carry through costs for improvement of conditions of service from 2003/04 as well as new improvements with effect from 2004/05), provision is also made for scarce skills and rural allowances for designated categories of health workers. These amount to R124 million (includes R50 million back pay for 2003/04), R83,224 million in 2005/06 and R89, 510 million in 2006/07.

The number of full time equivalent posts projected to be filled in the social sector by 31 March 2005 reflects a decrease of 400 compared to those estimated to be filled on 31 March 2004. This projected net decrease in personnel numbers is mainly to cater for the reducing number of excess public service personnel at Education.

Non-social sector

Non-social sector expenditure constitutes R3 580,056 million (19.59%) of total expenditure in 2004/05. It grows to R4 202,515 million in 2006/07 and as a share of total expenditure increases to 19.87% in 2006/07, supporting the shift to investment in the economic sector motivated by the *elihlumayo* strategy.

On a year-on-year basis, total expenditure in this sector increases by R265,221 million (8%) to 2004/05, R252,443 million (7.05%) to 2005/06 and R370,016 million (9.65%) to 2006/07. In real terms, it increases by 2.60% to 2004/05, 1.59% to 2005/06 and 4.36% to 2006/07.

The largest share of these additional allocations will fund the economic stimulation package in Economic Development and Tourism and Transport and Public Works. These allocations is to fund a number of interventions in priority economic sectors.

Additional allocations of R8 million, R6 million and R6million over the next three years have been made to Environmental Affairs and Development planning for the improvement of the approval processes for development applications and for the development of the provincial spatial development framework that will guide both the micro-economic and infrastructure strategies to be developed.

Additional allocations of R6,800 million, R7,160 million and R7,547 million over the next three years have been provided to Housing to allow the department to improve on housing delivery by restructuring and supplementing its staff complement. The Housing subsidy national conditional grant also increases from R423,282 million in the 2003/04 financial year to R446,035 million (2004/05), R447,492 million (2005/06) and R474,341 million (2006/07).

In order to facilitate greater efficacy of resource use and to build internal audit capacity for the Province as a whole provision is made within Treasury for the strengthening of financial governance, which amounts to R5, 680 million in 2004/05, R6,045 million in 2005/06 and R6,353 million in 2006/07. These provisions should lead to reduced risk and increased efficacy.

R4,900 million is provided in 2004/05 to Local government for the establishment of a disaster management centre. The provision of R24,743 million made for flood damage in 2003/04 has been carried forward to be provided for under Vote 10 (Transport and public works).

The number of full time equivalent posts that will be filled in this sector by 31 March 2005 compared to the number estimated to be filled as at 31 March 2004 reflect an increase of 1261 employment opportunities, mainly at Vote 10 (509), Vote 1 (227), Vote 4 (103), Vote 8 (69) and Vote 9 (79).

Capital

Capital expenditure constitutes R1 005,445 million (5.50%) of total expenditure in 2004/05. It grows to R1 387,650 million, in 2006/07 and as a share of total expenditure increases to 6.56% in 2006/07, although dipping to 5.24% in 2005/06. On a year-on-year basis the total capital expenditure increases by R145,684 million (16.94%) to 2004/05.

9. Expenditure by policy area

Grouped into broad policy areas, the challenges and policy commitments of provincial government are displayed even more clearly. Table 9.1 tells the familiar tale of a Social Protection (read Social Security) budget that grows as a share of the total provincial budget at the expense of the two other large departments, namely Health and Education. The share of Social Protection grows from 19.1% of provincial budget in 2001/02 to a projected 26.6% in 2006/07. Over the same period the collective share of Education and Health shrinks from 64.8% of the budget to 55.8%.

Despite the decline in its relative share the Education allocation continues to grow in real terms. This increase funds, amongst others, the interventions formulated in terms of *iKapa Elihlumayo*. Within the escalating Social Protection budget, some of the programs to be formulated in terms of the Social Capital Formation Strategy will also be funded.

Many of the other functional shares are fairly stable over this period, with the exception of economic affairs that grows from 7.7% of the budget in 2000/01 to 10.4% in 2006/07. This increase reflects the funding of the economic stimulation package (ESP) as well as substantial increases to Agriculture to support land reform.

Table 9.1 Summary of provincial payments and estimates by policy area										
GFS functions	Outcome			Main appropriation 2003/04 R'000	Adjusted appropriation 2003/04 R'000	Revised estimate 2003/04 R'000	Medium-term estimate			
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000				2004/05 R'000	% Change from Revised estimate 2003/04	2005/06 R'000	2006/07 R'000
General public services	293 875	392 101	480 522	545 746	553 568	511 265	545 853	6.77	522 657	539 911
Public order and safety	23 499	53 440	74 656	76 855	79 881	79 881	79 441	(0.55)	85 488	88 052
Economic affairs	891 983	1 006 944	1 382 188	1 486 742	1 572 003	1 567 436	1 718 311	9.63	1 940 451	2 200 005
Environmental protection	79 313	92 660	120 470	122 682	123 661	120 661	135 035	11.91	140 033	144 771
Housing and community amenities	389 861	380 446	433 516	517 651	538 733	370 625	551 885	48.91	555 039	585 130
Health	3 443 862	3 708 061	3 958 378	4 479 425	4 571 334	4 585 732	4 946 270	7.86	5 199 709	5 518 923
Recreation, culture and religion	83 073	89 859	108 478	137 401	138 154	137 054	155 339	13.34	161 664	167 773
Education	4 093 511	4 402 227	4 810 615	5 271 353	5 270 231	5 270 231	5 658 712	7.37	6 005 902	6 288 678
Social protection	2 214 279	2 391 258	3 140 177	3 775 957	3 904 917	3 843 223	4 501 526	17.13	4 994 943	5 628 731
Total provincial payments and estimates by policy area	11 513 256	12 516 996	14 509 000	16 413 812	16 752 482	16 486 108	18 292 372	10.96	19 605 886	21 161 974

10. Expenditure by Vote

Table 10.1 reflects the expenditure per vote as discussed in more detail below

Table 10.1 Summary of provincial payments and estimates by vote										
Provincial department	Outcome			Main appropriation 2003/04 R'000	Adjusted appropriation 2003/04 R'000	Revised estimate 2003/04 R'000	Medium-term estimate			
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000				2004/05 R'000	% Change from Revised estimate 2003/04	2005/06 R'000	2006/07 R'000
1. Provincial Administration	199 427	279 089	335 724	308 775	326 230	323 484	308 932	(4.50)	302 192	311 913
2. Provincial Parliament	17 602	20 007	23 887	29 434	29 434	29 123	33 300	14.34	36 293	38 377
3. Provincial Treasury	39 956	51 276	60 533	127 979	103 437	76 649	113 686	48.32	115 008	117 442
4. Community Safety	50 949	97 130	118 751	140 443	141 330	141 330	151 436	7.15	156 256	160 296
5. Education	3 997 125	4 296 360	4 657 445	5 093 789	5 122 667	5 122 667	5 466 585	6.71	5 812 887	6 081 268
6. Health	3 342 173	3 557 870	3 850 228	4 261 038	4 356 097	4 370 495	4 738 744	8.43	4 958 141	5 236 051
7. Social Services and Poverty Alleviation	2 206 184	2 384 809	3 138 474	3 762 824	3 887 784	3 826 090	4 493 426	17.44	4 987 443	5 625 731
8. Housing	389 861	380 446	433 516	517 651	538 733	370 625	551 885	48.91	555 039	585 130
9. Environmental Affairs and Development Planning	79 313	92 660	120 470	122 682	123 661	120 661	135 035	11.91	140 033	144 771
10. Transport and Public Works	946 692	1 060 589	1 327 326	1 543 737	1 594 213	1 591 978	1 712 260	7.56	1 949 106	2 242 736
11. Agriculture	93 642	114 357	131 168	169 097	171 699	171 699	223 481	30.16	240 168	250 101
12. Local Government	21 458	31 179	49 038	65 732	80 641	69 875	76 374	9.30	54 247	55 770
13. Economic Development and Tourism	30 369	50 815	142 622	119 404	124 576	122 244	118 328	(3.20)	122 492	128 206
14. Cultural Affairs and Sport	83 073	89 859	108 478	137 401	138 154	137 054	155 339	13.34	161 664	167 773
Total provincial payments and estimates by vote	11 497 824	12 506 446	14 497 660	16 399 986	16 738 656	16 473 974	18 278 811	10.96	19 590 969	21 145 565

Vote 1: Provincial Administration

The Provincial Administration vote constitutes 1.69% of the total provincial resource envelope and provides for expenditure of R308,932 million in 2004/05, a nominal decrease of 4.7% or R14,552 million from the 2003/04 revised estimate. Over the MTEF the allocation decreases by 2.2% (R6,740 million) in 2005/06 and increases again by 3.2% in 2006/07.

In line with the *iKapa elihlumayo* strategy the key new allocation in this department is R3,831 million in 2004/05 and R4,034 million and R4,252 million in 2005/06 and 2006/07 for the formulation of an internal Human Resource Development strategy for the Province. This strategy is to guide all internal training provided by the Province, not just the training provided by Vote 1 itself and ensure adequately skilled and orientated provincial personnel to tackle the challenges ahead. A number of other provisions will support service delivery departments in their pursuit of the goals of *elihlumayo*.

The decrease in the allocation from the previous year is mainly due to the shift of the SITA payments (R20,693 million in 2004/05 and R21,650 million in 2005/06 and 2006/07) for the transversal financial systems⁶ to the Provincial Treasury. The reasoning behind the shift is that the Treasury has control over cross cutting financial systems and their roll-out and should thus be in a better position to prevent the escalating operating cost relating to these systems.

⁶ The department's total LSM provision was calculated by splitting the allocation to section 21 schools in the same relation as what the non-section 21 schools use to divide their allocations.

The shift of Knowledge Economy and e-Governance (KEEG) from the department of Economic Development and Tourism to the Provincial Administration comes into effect on 1 April 2004 to be combined with the Information Technology (IT) component in the latter. This amounts to R12,297 million in 2004/05 and R12,931 million in both the 2005/06 and 2006/07 years. The rationale for combining the KEEG and IT functions and create a centre for e-Innovation is to promote e-government, greater general access to government and the transfer of information to the broad public.

Included in the allocation for the Centre for e-Innovation are funds exclusively set aside for IT restructuring, amounting to R1,5 million in 2004/05, R1,577 million in 2005/06 and R1,657 million in 2006/07. Added to these funds is a once-off amount for IT capital projects amounting to R9,437 million in 2004/05.

Allocations of R1,5 million (2004/05), R1,577 million (2005/06) and R1,657 million (2006/07) have been included in the department's budget for the strengthening of legal services in order to cater for the demands placed on them by the Constitution, new legislation and increasing contractual and administrative practice demands.

One of the key priorities, as advocated in the Provincial Medium Term Budget Policy Statement, is the cleaning up of the pre-1994 remnant components and shifting of these to line departments, enhancing specialisation and synergy.

An earmarked allocation amounting to R5 million, has also been made within this department's 2004/05 budget for the 10 year democracy celebrations.

Vote 2: Provincial Parliament

This vote constitutes 0.18% of the total budget of the Western Cape for 2004/05 and its share remains constant throughout the MTEF period. It provides for expenditure of R33, 300 million in 2004/05, a nominal increase of 14.34% on the 2003/04 revised estimate. It increases by a further 9% (2005/06) and 5,7% (2006/07) over the MTEF period.

This funding is meant mainly to finance the normal activities of the Provincial Parliament. The provision includes general inflation adjustments of 5.1% for 2004/05, 5.3% for 2005/06 and 5.4% for 2006/07 and also for the strengthening of the Provincial Parliament's oversight role and the execution of their employment equity plan.

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.

Vote 3: Provincial Treasury

This vote constitutes 0.62% of the total provincial resource envelope and provides for expenditure of R113, 686 million in 2004/05, a decrease of R10,249 million (9.91%) on the 2003/04 adjusted budget. The allocation increases by 1.16% (R1,322 million) in 2005/06 and by 2.12% (R2,434 million) in 2006/07.

The changes that have taken place are the results of the shifts of the internal audit function (R5,680 million in 2004/05, R6,045 million in 2005/06 and R6,353 million in 2006/07) and SITA payments for the transversal financial systems (R20,693 million in 2004/05 and R21,650 million in the 2005/06 and 2006/07 years) from the Provincial Administration vote.

The catalyst allocation for *iKapa elihlumayo* was initially included under this vote in Budget 2003, but during the course of 2003/04 it was moved to Education and Economic Development and Tourism respectively. Therefore no further provision was made under this vote for the 2004/05 year, which results in this programme being omitted for the said financial year. However, Treasury will continue to place emphasis on the actualisation of the *iKapa elihlumayo* concept in order to continue promoting the reduction in poverty and unemployment and increasing growth in the Province.

Funds have also been made available for the first round of implementation of the Municipal Finance Management Act, 2003 (MFMA), amounting to R1 million in 2004/05, R2,102 million in 2005/06 and R2,209 million in 2006/07. The Internal audit function has been augmented by R5 million in 2004/05, R5,255 million in 2005/06 and R5,523 million in 2006/07.

Vote 4: Community Safety

Community Safety constitutes 0.83% of the provincial budget and provides for expenditure of R151,436 million in 2004/05, a 7.15% increase (R10,106 million) on the 2003/04 revised estimated budget and a 2.73% (R4,030 million) increase on last year's MTEF baseline for 2004/05.

As part of building of social capital, the department was allocated an additional R4 million in 2004/05 to develop a motor vehicle accident intervention strategy together with the Department of Health as well as a strategy to improve on all-over safety measures, eventually tying into the Disaster Management Centre to be developed by the Department of Local Government. The formulation of a decisive motor vehicle accident intervention is a priority as it will enhance the quality of life and lower the intensity and incidence of accidents while reducing the budgetary pressure on Health,. Money will be well invested through a reduction in the accident rate and associated costs as a result of the deployment of law enforcement personnel.

The Department should also discuss and finalise the latest developments regarding the implementation of a vehicle tracking system with Transport and Public Works. The Department has further important coordination responsibilities through:

- Investigating access to weighbridges in collaboration with Transport and Public Works;
- Ensuring optimal interdepartmental benefit from the proposed Vehicle tracking system, and
- Link its service provision to the development of the disaster management center.

The other increase over the MTEF is for inflationary and wage adjustments. In an effort to increase attention to road safety enforcement, the department has implemented the effective roll out of a 24-hour traffic law enforcement service, which leads to an increase in personnel numbers and expenditure.

The department has amalgamated its training facilities (Philippi and Gene Louw colleges) to improve efficacy, so that all training programmes are now delivered at Phillipi.

Vote 5: Education

This vote's share is 29.21% of the total budget in 2004/05, slightly less than the 30.68% in 2003/04. Over the MTEF years the relative share decreases to 29.67% (2005/06) and 28.76% (2006/07). This trend reflects a decreasing share of just over 1 percentage point over this period. On the other hand the department's average annual real growth from the 2003/04 adjusted budget to 2006/07 is 0.82%.

The department has the leadership role of formulating and co-ordinating the provincial human resource development (HRD) strategy. In addition to its contribution to building social capital, a key goal of the human resource development strategy will be to ensure that the entire labour force has appropriate skills to enter the labour market, on the one hand, and to facilitate additional investment by supplying enterprises with appropriately skilled workers on the other hand.

While the Department of Education therefore has a key role in conceptualising and driving such a strategy, a number of parastatal and private players are also important in this regard, namely tertiary institutions, SETAs and FET colleges, etc. The HRD strategy also needs to embrace the internal HRD strategy being developed by the Provincial Administration (Vote 1).

Because of the complexity of the provincial education service delivery environment, the coordinating role of the Department of Education in the implementation of the HRD strategy would be key. Other key elements would include:

- A baseline assessment of the state of HRD in the province;
- The development of measures of overall impact, and
- Coordination and integration with the strategies being developed by other lead departments, but especially the Micro-Economic Strategy.

The services delivered by Education itself will play a key role in the implementation of the HRD strategy. Its interventions will target the improvement of both the General and Further Education and Training (GET and FET) bands. To this end its measurable objectives will be reconsidered to provide a more focused indication of progress towards the goals of iKapa Elihlumayo. These objectives will include:

- Targets for enrolment in Grades 10, 11,12 and FET facilities;
- Attainment in Maths and Science, and
- All these targets will be disaggregated by race and socio-economic category.

Other aspects of directing Education's own service provision is the optimisation of the streaming of learners into appropriate facilities, the development of FET colleges and the reconfiguration of its school infrastructure topography. Further efficiency can be ensured by analyses of personnel structures and incentive schemes, the nature of learner support material expenditure and transfers to Section 21 schools.

Earmarked funds of R23,5 million in 2004/05, increasing to R125 million in 2005/06 and to R131,375 million in 2006/07 was allocated in the baseline specifically for human resource development.

The learner support materials (LSM) budget of the department grows by 8% from an estimated actual expenditure of R195 million in 2003/04 to R211 million in 2004/05. In 2005/06 and 2006/07, R246 million and R259 million is budgeted for LSM respectively. This represents growth of 22% over the MTEF. The department projects an increase in its per capita spending on LSM from R230 per learner to R279 in the outer year of the MTEF. These increases in LSM allow greater investment in non-personnel spending such as the channelling of more funds to address the new curriculum in public schools and to provide for LSM requirements in special schools, adult basic education and early childhood development.

The conditional grant for the promotion of Early Childhood Development (ECD) through pre-primary education was phased out at the end of 2003/04 and now forms part of the equitable share. However, continued provision for spaces for learners in their reception year through quality educational programmes will be made through the additional funding provided in the equitable share from 2004/05 and over MTEF. The department intends to provide 5 000 to 6 000 additional children per annum with access to early childhood development programmes in order to achieve the 40 000 Grade R target over the period 2003 to 2010.

Allocations to Adult basic education (ABET) increases by 17.62% from the 2003/04 revised estimate in order to provide for greater emphasis on ABET as more over-aged learners are taken up.

As far as the capital budget is concerned, the department has a priority list for bigger projects such as the maintenance and construction of schools on the budget of Vote 10: Transport and Public works. Smaller projects are provided for on the department's own budget.

Compensation of employees consumes 84.63% of the vote as opposed to the 85.55% in the 2003/04 revised estimate and increases in monetary terms by 6.91% from the 2003/04 revised estimate versus the estimated CPI-X in 2004/05 of 5.26%.

The total allocation also includes a conditional grant for HIV/AIDS life skills programmes in primary and secondary schools amounting to R10,543 million (0.19% of the total departmental budget), R11,176 million (0.19% of the overall allocation) in 2005/06 and R11,847 million or 0.19% of the allocation in 2006/07. This is intended to improve access to an appropriate and effective integrated system of prevention, care and support.

The administration of the Primary School Nutrition Programme (PSNP) grant, which is part of the national school nutrition programme conditional grant, has been shifted from the Department of Health to improve planning, enhance co-ordination and further contribute to more efficient feeding in schools. The department was allocated R36,617 million in 2004/05, R40,135 million in 2005/06 and R48,313 million in 2006/07 to enable it to carry out this function.

The Financial Management and Quality Enhancement conditional grant was phased out at the end of 2003/04 and has been subsumed into the equitable share as from 2004/05 (R19,630 million in 2004/05, R20,808 million in 2005/06 and R21,869 million in 2006/07). The aim of this funding is to develop and implement programmes to improve financial management including the empowerment of schools and governing bodies.

Vote 6: Health

This vote constitutes 25.91% of the 2004/05 budget. Compared to the 2003/04 revised estimate, the vote increases by 8.43% in 2004/05, 4.63% in 2005/06 and 5.61% in 2006/07, year-on-year. In real terms, the vote's allocation increases by 3.01% in 2004/05, falling slightly by 0.7 in 2005/06 and increasing again by 0.5% in 2006/07.

A stable Health system would form a key part of the Social Capital formation strategy in the Province. The primary responsibility of the Department of Health is therefore to see through the implementation of its Health Care 2010 scheme. The provision of Health services in the Province can be stabilised further by a thorough analysis of the cost pressures within the Health service, including the cost implications of recent and future policy changes.

Other priorities include:

- Completing reorganisation of primary health services and finalising the division of powers and function with local government;
- Cooperation with the Treasury on a migration study as part of the 2004 SER;
- Determining of socio-economic conditions impacting on health funding with reference to the revision to the national funding formula, and
- Placing the central hospitals on a business footing and resolving the contractual arrangements with the universities.

Because of its central role in social capital formation, this vote receives major additions to the baseline of R204,301 million for R2004/05, R231,602 million for 2005/06 and R281,670 million for 2006/07. From the equitable share alone, additions to the baseline amounts to R181 million in 2004/05, R185 million in 2005/06 and R204 million in 2006/07. These amounts include a once-off payment of R50 million in 2004/05 for back pay in terms of the scarce skills and rural allowances that has been approved with a starting date of 1 July 2003. Further amounts of R74 million in 2004/05, R88 million in 2005/06 and R90 million in 2006/07 will fund provision for scarce scarce skills and rural allowances.

The above augmentations also provide extra funding for the staff performance management system, the head office administrative/support component, AIDS administration support and increase of a generalised service buffer.

The balance of R23,301 million in 2004/05, R46,602 million in 2005/06 and R77,670 million in 2006/07 comes from the HIV/Aids conditional grant mainly for the roll-out of the antiretroviral treatment programme.

With regard to HIV/AIDS, the combined total of conditional grants and earmarked allocations from the equitable share, amount to R90,119 million for 2004/05, R116,023 million for 2006/06 and R150,954 million for 2006/07, to cater for mother-to-child-transmission (MTCT) programmes, to improve access to voluntary counselling and testing (VCT), provision for Anti-Retroviral (ARV) treatment and other remedial steps. However, this does not include the \$60 million that the department is due to receive from the Global AIDS Fund over a 5-year period.

Earmarked allocations of R42,040 million in 2004/05, R43,890 million in 2005/06 and R46,085 million in 2006/07 have been provided for the acquisition of health equipment as well as R6,882 million in 2004/05, R7,185 million in 2005/06 and R7,551 million in 2006/07 for exchange rate adjustments regarding health equipment.

Compensation of employees consumes 61.13% of the vote's 2004/05 budget versus 56.63% in the 2003/04 estimated actual, increases in real terms by 11.20% in 2004/05 and decreases in real terms by 3.41% in 2005/06 and by 1.25% in 2006/07.

The real reduction in the two conditional grants, i.e. National Tertiary Services and Health Professions Training and Development, which entails a redistribution of the tertiary health care funds away from the Western Cape and Gauteng in favour of the more rural provinces still places great stresses on the department particularly as service loads on the central hospitals have increased, and not the other way around as was intended. This shift in resources is being phased in over a period of 5 years, and started in 2002/03.

Through own revenue collection initiatives within Health it was possible to raise the expenditure level (implying a 100% retention of own receipts) with an equivalent of R37 million for 2004/05, R37 million for 2005/06 and R51,508 million for 2006/07 to promote and improve on service delivery.

In line with the terms of the objectives and actual spending of the conditional grant: Integrated Nutrition Programme, the portion of the grant dealing with the feeding of learners and the administration of school feeding has been shifted to Vote 5: Education. The amounts shifted are R36,617 million in 2004/05, R40,135 million in 2005/06 and R48,313 million in 2006/07. The balance of the grant of R4,809 million for 2004/05 and R5,288 million in 2005/06 stays with Health for the implementation of the balance of the nutrition programme.

The division of responsibilities between Health and municipalities remain a challenge, given various constitutional interpretations, associated acts or proclamations and the current funding distributional history. As primary health care services (environmental health services are mainly now a municipal responsibility, although with its own distributional problems) are integral to a good health system, a great deal of work will still have to be done over the next three years to draw this to a satisfactory conclusion.

Vote 7: Social Services and Poverty Alleviation

Social Services and Poverty Alleviation constitutes 24.58% of the total provincial budget for 2004/05. Over the MTEF period, the vote's share grows to 25.46% in 2005/06 and 26.60% in 2006/07 at an annual growth rate of 11% and 12.8% respectively. It is thus evident that the growth in the Department's budget consolidates imbalances in relation to other departments, which raises doubts as to its sustainability.

The goal of iKapa elihlumayo is not just economic and job-creation in the narrow sense, but the restoration of social capital and dignity of all people of the Province. To this end the Social Capital Formation Strategy will have to coordinate and integrate social capital interventions of the departments of Social Services and Poverty Alleviation, Housing, Health, Community Safety, Sport and Culture and also civil society, local government and the business community.

The first step of the development of this strategy would be the conceptual clarification of the Social Capital and the subsequent assessment of the state of social capital in the Province. This strategy will need to address existing priority areas of Youth, parenting, families as well as cultural integration. The Social Capital Formation strategy will also have to have important links to especially Education, Sport and Culture, Community Safety. To this end the coordination of interventions will be a key success factor. Other key components of this strategy will include:

- Definition of the roles of other departments, NGOs, local and national government supporting the lead department;
- The development of Interdepartmental coordination mechanisms;
- The development of appropriate targeting and monitoring and evaluation instruments;
- An audit of institutional capacity in departments and CSOs participating in the formation of social capital;
- Strengthening the capacity of existing CSOs, and
- A conference on best practice around poverty projects.

A key priority of the delivery of the Department's own services would be the constant monitoring of the number of social grant recipients. This will include:

- Confirmation of the 35 days turnaround time with the exception of the Disability Grant, and
- Definition of disability access and examining the medical assessment process to prevent delays.

The key component of the social security programme was the introduction of a conditional grant for the phased extension of the child support grant to children between the ages 7 and 14, with effect from the 1st of April 2003. There was also another national policy decision regarding the qualification criteria for disabled persons, which resulted in a sharp growth in beneficiary numbers since November 2001 (93,249) to February 2004 (121,169). This trend is projected to continue in 2004/05 and over the MTEF years. In addition to the fore-mentioned, provision is also made for increases in the grant values. The Old Age and the Disability grants will increase by R40.00 each while the Child Support grant increases by R10.00 per month from 1 April 2004.

Provision has been made for an implementation of a retention strategy for social workers over the MTEF period. The compensation payable to social workers might be adjusted vertically. The head office restructuring has been completed with the focus now shifting to the district offices, including an intended three new district offices.

Vote 8: Housing

This vote constitutes 3.02% of the 2004/05 budget. Compared to the 2003/04 revised estimate, the vote increases by 48.91% in 2004/05, 0.62% in 2005/06 and 5.42% in 2006/07, year on year. In real terms, the vote's allocation increases by 41.47% in 2004/05, decreases by 4.55% in 2005/06 and increases by 0.33% in 2006/07. The large increase in 2004/05 is largely the result of significant underspending in the previous financial year.

This vote receives additional earmarked allocations of R6,8 million for 2004/05, R7,160 million for 2005/06 and R7,547 million for 2006/07 to improve on housing delivery by restructuring and supplementing its staff component.

The Department intends to prioritise the analysis of delivery constraints and formulate a service delivery plan addressing key socio-economic outcomes. This intervention will also include the clarification of the respective roles of the Department and municipalities in this regard and the promotion of an integrated approach to service delivery that would involve other social service departments, as well as Economic Development and Tourism and Transport and Public Works. Other priorities would include the unbundling of the Housing Fund and participation in risk and associated assessments by the Treasury.

This vote receives an earmarked allocation for Housing capacity building of R1,221 million for 2004/05, R1,275 million for 2005/06 and R1,340 million for 2006/07. In terms of fulfilling the department's responsibility towards capacity building of municipal and provincial officials, these funds are to be used for formal training courses on housing policy and management, finance and accounting.

A shift to Local Government incorporating the funding for the personnel of the Consolidated Municipal Infrastructure Programme (CMIP) of R1,999 million for 2004/05, R2,102 million for 2005/06 and R2,208 million for 2006/07, will complete the departmentalisation process.

The national Housing subsidy conditional grant constitutes R446,035 million or 80.82% of this budget in 2004/05, 61.28% up from the 2003/04 revised estimate of R276,560 million. This grant grows over the MTEF by 0.33% to R447,492 million in 2005/06 and by 6% to R474,341 million in 2006/07 mainly to allow for increases in housing subsidies as well as slightly more housing opportunities. This grant should buy approximately 20 000 housing opportunities in each of 2003/04, 2004/05 and 2005/06.

The national Human Resettlement conditional grant aimed at improving the quality of the urban environment and to address the legacy of dysfunctional urban areas, constitutes R14,310 million or 2.59% of this budget in 2004/05, 5.73% down from the 2003/04 revised estimate of R15,180 million. This grant decreases to R11,549 million (19.29% of the vote) in 2005/06 and increases to R12,243 million (6.01% of the vote) in 2006/07.

Vote 9: Environmental Affairs and Development Planning

Environmental affairs and development planning, constitutes 0.74% of the provincial budget and provides for expenditure of R135,035 million in 2004/05, a 11.92% increase or R14,374 million on the 2003/04 revised estimate. A nominal increase of 3.70% or R4.998 million is projected for 2005/06.

The will take the lead in developing the Provincial Spatial Development Framework (PSDF) - the preferred spatial pattern for the Province to contribute to maintaining and enhancing the Western Cape's socio-economic base.

The PSDF will consist of a set of maps, backed with written documentation, indicating a preferred spatial pattern for the entire Province, of growth areas, corridors, nodes, and areas for the conservation of natural resources and human made structures of cultural-historical value – while also giving spatial guidance i.t.o. strategies for the alleviation of poverty and unemployment. As such the PSDF will provide a common framework for the geographical targeting of provincial service delivery and regulatory interventions. It will also provide an indication of provincial plans to local authorities and thus facilitate improved development linkages between these two spheres.

The PSDF will be a key component of the strategies being developed by all four the other lead departments. It is only in its impact on the strategies and service delivery of other departments that the PSDF will serve its purpose. The development of mechanisms for coordination between Environmental Affairs and Development Planning and other departments in the development and implementation of the PSDF would therefore be a key component of the PSDF itself.

The second key priority of Environmental Affairs and Development Planning rests in the integration and rationalization of regulatory legislation. Its current integrated Law Reform Project addresses 3 sets of legislative requirements relating to attaining sustainable development: Spatial planning law, Environmental law and Heritage law.

The Project will however be developed to embrace all regulatory functions of Provincial Government, especially those performed by Economic Affairs & Tourism and Culture & Sport. Coordination with national and local government regulatory functions will also be investigated in order to provide a red-tape free interaction between government and the private sector in the province.

In support of its role in *iKapa eihlumayo*, this department received once-off additional funding (R 5million) in 2004/05 for backlogs relating to development applications and the fast tracking of the establishment of a spatial development framework, as well as the strengthening of regulatory capacity. As mentioned above, it also has a responsibility to create an environment conducive to business and development endeavours in conjunction with Cultural Affairs and Sport as well as Economic development and Tourism. Other departmental priorities would include pursuing the appointment of an environmental commissioner and a reassessment of the position of the Western Cape Nature Conservation Board (WCNCB) and returns on such investments vis-à-vis other environmental impact issues.

The department's contribution to the Western Cape Nature Conservation Board is increasing with allocations of R60,902 million in 2004/05, R63,716 million in 2005/06 and R67,156 million in 2006/07. In real terms this decreases by 0.75% in 2004/05 (calculated on the 2003/04 revised estimate) and thereafter increasing by 4.62% (2005/06) and 5.4% (2006/07).

Vote 10: Transport and Public works

The department is responsible for transport and roads as well as the provision, maintenance and management of the provincial property infrastructure.

This vote absorbs 9.3% of the provincial budget or R1,712 billion which is 7.40% or R118,047 million more than the 2003/04 revised estimate. The vote's share over the MTEF increases to 9.95% (2005/06) and 10.61% (2006/07) of the provincial share, re-affirming a strong commitment to keep infrastructure spending at a rising trend.

Funding for the vote comprises R393,145 million (22.96%) from the equitable share, R264,432 million (15.44%) from national conditional grants, R706,591 million (41.27%) from own generated revenue and R348,092 million (20.33%) from provincial financing. The department will become increasingly reliant on Public Works to maximise revenue from its property holdings to fund future shortfalls in Health and Education construction works.

The leadership role of Transport and Public Works encompasses the formulation and implementation of the Provincial Strategic Infrastructure Plan and its linkages to other provincial strategies, most notably the Micro-Economic Strategy and the Spatial Development Framework. The Strategic Infrastructure plan (SIP) will provide the physical infrastructure that supports growth, labour market participation and general well being in the Province. Given the fiscal constraints that the Province is under, this plan will contain a strategy for progressive rollout according to the position of relative priorities in it.

The SIP will also need to provide a seamless vision of infrastructure development in the province, including both provincial infrastructure and infrastructure provided by national and local government, parastatals and the private sector (through PPPs). Similarly to the other lead departments, the development of appropriate coordinating mechanisms would therefore be a vital component of the SIP.

In terms of provincial infrastructure provision, key components of the SIP will include:

- A plan for the geographical targeting of Roads and Public Transport expenditure that is based on the economic and social needs of the provincial population;
- A plan for the strategic management of the Provincial Property portfolio;
- A logical balance between expenditure on Works and Transport in the Department, and
- A logical balance between Works expenditure on Health and Education on one side and especially economic development departments on the other.

Other priority areas for this Department would include:

- Resolving property tax bills from local authorities;
- Planning of the Klipfontein Corridor and the unlocking of economic and secondary benefits to the communities, businesses and public transport operators along this route;
- Scoping the provincial property portfolio scope (inclusive of the Housing portfolio), and
- Assessment of the socio-economic impact of the Extended Public Works Programme (EPWP).

Consistent with the goals of *iKapa*, the roads infrastructure budget demonstrates the biggest growth over the MTEF. From a 34.93% share of the 2004/05 budget, it increases to 39.47% of the 2005/06 budget and 44.73% of the 2006/07 budget, largely to reduce the maintenance backlog and protect the existing provincial asset base. A once off allocation of R24,743 million has also been provided to rehabilitate areas that have been stricken by floods in the Province.

Also reflecting the ethos of *elihlumayo* is the continued sharp growth in the provision for Public Transport in 2004/05. The allocation for this programme makes up 11.44% of the 2004/05 budget (from a 7.89% share in the 2003/04 adjustments estimates), 12.27% of the 2005/06 MTEF estimates and 9.80% in 2006/07. The Transport programme plans, regulates and facilitates the provision of public transport services and infrastructure, through own provincial resources and through co-operation with national and local authorities and the private sector to enhance the mobility of communities. The Expanded Public Works programme is one means to this end and aims to empower poor communities through creating additional work opportunities by introducing labour-intensive construction methods.

Traffic Management, now a programme in the new budget format, is allocated 10.64% of the 2004/05 budget, 7.70% of the 2005/06 budget and 7.17% of the 2006/07 budget. It aims to establish an appropriately authorised transport environment through legal compliance and the optimal generation of revenue through motor vehicle registration and licence fees. Its structure is such that a centralised support service is rendered to 70 registering authorities for motor vehicle licensing, 38 driving licence testing centres and 68 motor vehicle testing stations throughout the Province. A key objective is to ensure that all vehicles registered in the Western Cape are licensed and that all drivers are appropriately authorised to drive their vehicles. These regulatory functions provide important support to the economic growth pursued by the *iKapa elihlumayo* concept.

Public works as the largest programme illustrates the Provincial Government's commitment to social infrastructure investment as a vehicle to improve services delivery and create job opportunities. It consumes 37.80% of the 2004/05 budget, 35.72% of the 2005/06 budget and 33.84% of the 2006/07 budget, beginning to point to the increasing necessity to use unused provincial property to better effect.

The Provincial Infrastructure grant is meant to accelerate construction, maintenance and rehabilitation of new and existing infrastructure in Education, Roads, Health and Agriculture and to gradually increase the required labour-intensity of certain specific types of projects over the next five years. It increases to R179,215 million for 2004/05, which represent 28.26% or R 39,489 million growth for 2004/05, 11.16% for 2005/06 and a 12.05% increase for 2006/07.

The allocation for the Hospital Revitalisation conditional grant is aimed at transforming and modernising hospitals in line with the national planning framework and amounts to R85,217 million, reflecting a 4.00% or R3,278 million increase for 2004/05 versus R81,939 million in 2003/04. The grant increases to R88,625 million in 2005/06 and R115,626 million in 2006/07.

Vote 11: Agriculture

Agriculture constitutes 1.22% of the 2004/05 budget of the Western Cape, constituting expenditure of R223,481 million, a 30.16% or R 51,782 million increase compared to the 2003/04 adjusted budget. The vote's share over the MTEF increases to R240,168 million (2005/06) and R250,101 million (2006/07).

Funding for the vote comprises R169,778 million (75.97%) from the equitable share, R43,175 million (19.32%) from national conditional grants and R10,528 million (4.71%) from own generated revenue. Conditional grants have seen a 374.24% or R34,071 million increase mainly as a result of the introduction of two new national conditional grants.

The priority areas for the department of Agriculture are the promotion and vesting of its linkages into and contributions to the Micro-Economic Strategy, the Socio-economic Review 2004, the Infrastructure Strategy and agricultural development.

The synchronisation of departmental planning with that of the national department of Land Affairs is also key to ensuring sustainable land reform. The latter would include an assessment of what the department of Land Affairs contributes towards the land resettlement programme with respect to the total target for the Western Cape, for each geographical area and the applicable time intervals.

These priorities need to be read together with those from the Western Cape-MTBPS 2004-2007: Firstly, in collaboration with Economic development and Tourism, to find the best balance in the provincial agricultural economy that will maximise economic growth, development and employment. This would include finding alternatives to labour agencies that tend not to be conducive to human capital growth and the skilling of farm labour and secondly, better alignment of its budget with that of Land Affairs in order to further promote sustainable land reform.

Increases in the national conditional grants for provincial infrastructure totals R25,910 million (2004/05), R29,632 million (2005/06) and R29,772 million (2006/07). The new Comprehensive Agriculture Support Programme (CASP) adds R13,765 million (2004/05), R17,206 million (2005/06) and R20,648 million (2006/07). The new Land Care conditional grant adds R3,5 million (2004/05), R2,5 million (2005/06) and R3,0 million (2006/07).

The aim of the new CASP grant is to enable the agricultural sector to enhance its capacity to support developing farmers, especially pertaining to the land redistribution for agricultural development (LRAD) programmes. As such, the department becomes an important player in the formulation and realisation of the Province's infrastructure strategy apart from the key role it has to play in developing a micro economic strategy (MES). The Land Care grant, on the other hand, is aimed towards addressing the degradation problems of natural agricultural resources and improving the socio-economic status and food security of rural communities.

The Provincial Infrastructure grant allocation is to help accelerate construction, maintenance and rehabilitation of new and existing infrastructure in delivery of agricultural development and to gradually increase the labour-intensity of certain specific types of projects over the next five years.

Transfers and subsidies constitute 9.35% of the budget for 2004/05 compared to 8.29% in the 2003/04 adjustments estimates. This consists mainly of transfers to non-profit institutions and households, of which 21.55% go towards public entities like Casidra (Pty) Ltd (Agriculture's agent for rural development) and the Agricultural Research Council (ARC) for agricultural research.

Vote 12: Local Government

This vote constitutes 0.42% of the budget in 2004/05. Overall the vote's allocation decreases by R6,449 million or 9.30% from the 2003/04 revised estimated to R76,374 million in 2004/05, by R22,127 million or 29.97% to R54,247 million in 2005/06 and increases by 2.81% to R55,770 million in 2006/07. The fluctuation is the result of a decreasing conditional grant allocation in 2004/05 and the subsequent phasing out of the Local Government Capacity Building Fund in 2005/06.

The primary responsibility of this department would be to ensure appropriately capacitated and well functioning municipalities and an efficient intergovernmental cooperative system. This would need to be done against the broader background of common socio-economic challenges, establishing developmental linkages between provincial and local government and rationalisation of functions between the two spheres. To this end the Department is provided with additional funding over the MTEF period at a rate of R5 million (2004/05), R5,255 million (2005/06) and R5,253 million (2006/07) for the strengthening of the local government municipal oversight function. The primary responsibility of the department would be to ensure appropriately capacitated and well functioning municipalities and efficient intergovernmental cooperative systems.

Another important challenge is the assessment of expenditure on disaster management related activities by municipalities and other departments (Health, Transport and Public Works, Community Safety amongst others) and associated mechanisms, in order to promote efficiency and better co-ordination (including tracking, GIS and ambulance services), but more particularly what it would take both under "normal" and more stressed circumstances to ensure effective functioning of law, safety and other emergency services. To this end the department receives earmarked funding of R4,9 million in 2004/05 for the establishment of a disaster management centre for the Province in order to facilitate effective and efficient disaster management at provincial and local government levels.

A shift from the department of Housing incorporating the personnel of the Consolidated Municipal Infrastructure Programme (CMIP) of R1,999 million (2004/05), R2,102 million (2005/06) and R2,208 million (2006/07) completes the departmentalisation process.

The national Local Government Capacity Building Fund conditional grant constitutes R20,050 million or 26.25% of the vote's budget in 2004/05, down by 3.21% from the 2003/04 adjusted budget of R35,547 million. This grant is phased out in 2005/06 as it will flow directly to the local government sphere.

The national Consolidated Municipal Infrastructure Programme (CMIP) conditional grant constitutes R3,508 million or 4.59% of the budget in 2004/05, up by 4.30% from the 2003/04 estimated actual of R3,357 million. This grant grows over the MTEF by 6.56% to R3,738 million in 2005/06 and by 5.99% to R3,962 million in 2006/07.

Vote 13: Economic Development and Tourism

The Economic Development and Tourism vote constitutes 0.65% of the provincial budget for 2004/05 or R118,328 million and is 3.20% or R12,772 million less than the 2003/04 revised estimate. The net decrease is related to the completion of the International Convention Centre in Cape Town (R22 million in 2003/04) and increases in iKapa elihlumayo funding from R45,154 million in the 2003/04 adjustments estimate to R66,123 million in 2004/05, R67,300 million in 2005/06 and R70,700 million in 2006/07. The vote's share over the MTEF amounts to 0.63% (2005/06) and 0.61% (2006/07), reaffirming the provincial government's commitment to sustainable economic growth and to give the department more capacity, maneuverability and muscle for economic development.

The lead role of Economic Development and Tourism is the formulation and implementation of the Micro-economic strategy (MES). The overall goal of the micro-economic strategy is to guide and direct provincial involvement in the private sector. In order to do this, the Department has to identify and address global and national economy-wide trends as well as industry specific blockages and opportunities.

Apart from pro-active support through strategic financing and information provision, the MES should also ensure that the regulatory environment in the Province does not function as a barrier to employment and business activity. Economic Development and Tourism therefore has a key role to play in the integrated Law Reform Project. Other important components of the MES would be:

- Determining which sectors government should proactively intervene in;
- Mechanisms to measure the impact on economic growth and employment of government interventions, and
- Coordination with other economic development actors such as the private sector, national government, parastatals and local authorities.

The development and implementation of the MES is to be co-ordinated and integrated with the Human Resource Development (HRD) and Strategic Infrastructure Plan (SIP) strategies as well as with the job-creation and poverty alleviation aspects of the social capital strategy described below. The interface, especially with the latter, would need to ensure maximum absorption of workers into the labour market and ensuring markets for the goods and services that are produced by these interventions.

Important too is its role of transforming the *iKapa elihlumayo* provision on its budget to achieve real progress at the micro-economic level vis-à-vis the film studio development, tourism, job creation, increased economic participation, easier ingress into the economy, sustainable entrepreneurship and the opening up of market opportunities.

Three public entities are under the control of the department, namely the newly revamped Western Cape Investment and Trade Promotion Agency (WESGRO), the Western Cape Liquor Board (WCLB) and the Western Cape Tourism Board (WCTB). A successor for the WCTB is on the cards for 2004/05 to bring unity and focus to tourism marketing by merging the marketing function of the City of Cape Town and the provincial government and so creating the Destination Marketing Organisation (DMO). Overall, Wesgro receives 23.05% of the 2004/05 budget allocation to public entities and the WCTB or its legal successor, 76.95%, signalling the strong impetus given to tourism promotion.

In addition to the shifts described above, the shifting of the Knowledge Economy and e-Government (KEEG) programme (R12,297 million in 2004/05, R12,931 million in 2005/06 and R12,931 million in 2006/07) to Vote 1: Provincial Administration) and augmentations to finance the Ministry of Tourism and Gambling (R0,5 million in 2004/05, R0,525 million in 2005/06 and R0,553 million in 2006/07) explain other fluctuations in allocations.

Transfer payments and subsidies constitute 41.47% of the budget for 2004/05 versus 66.23% of the 2003/04 revised estimate. This is largely the result of the paid off contributions to the Cape Town International Convensco Centre (CTICC) which included R22,0 million in 2003/04. Transfers to local government municipalities and institutions are utilised for job creation, poverty relief and capacity building.

Vote 14: Cultural Affairs and Sport

Cultural Affairs and Sport's share is 0.85% of the total provincial budget for 2004/05. The relative share declines respectively to 0.83% (2005/06) and 0.79% (2006/07) over the MTEF period, with annual growth rates of 4.07% and 3.78% (in nominal terms).

The Department has to fulfil a key partnership role with the Department of Social Services and Poverty Alleviation in the conceptualisation and implementation of the Social Capital Formation strategy. It would also support the Human Resource Development (HRD) strategy through public libraries and play a key role in the integrated Law Reform Project. The rationalisation of the latter would be a key operational issue.

The management of the Heritage function shift to the Province would also be central to the Department's activities, in addition to doing the groundwork to incorporate the later shift of the Archive function from the national government. The Department has been allocated R6 million per year (for 2005/06 and 2006/07) to support the Heritage function due to the impact it has on development. Lastly, an extra R1 million has been allocated for the development of the archives function.

A national conditional grant has been made available to fund the promotion of mass participation within disadvantaged communities in a selected number of developmental sport activities and the empowerment of communities to manage these activities in conjunction with local municipalities. Funds amounting to R1 million (2004/05), R2,670 million (2005/06) and R4,340 million (2006/07) have been allocated accordingly. Its goal is to support the aspiring and upcoming youth of our country in reaching their sport and recreation goals.

The Statues and Nobel Peace square project that is regarded as one of the pioneering projects in celebrating the 10 years of Freedom, has been allocated a once off amount of R5 million for 2004/05. The department has also been granted R0,5 million annually to finance the South Easter festival over the next three years to promote cultural activities.

11. Infrastructure

Table 11.1 shows that the Province will spend R1,221 billion of its 2004/05 budget on infrastructure projects. The R1,181,571 million allocation for infrastructure in Public Works and Transport will largely fund R412,112 million for the maintenance of roads infrastructure. A further R15,611million goes to new constructions and R31,189 million for the maintenance of general provincial buildings. A variety of Public Transport projects will be funded to a total of R123,723 million. This allocation will include the Mobility Strategy for the proposed Klipfontein corridor. Another R41,663 million is allocated for the upgrading of access roads and sidewalks through the Community Based Public Works Programme (CBPWP).

The R129.2 million Education expenditure on infrastructure will fund the construction of new schools and additional classrooms at existing schools. One hundred mobile classrooms will also be purchased with this allocation.

Of the R152.1 million allocation to Health infrastructure, R18 million will be spent on new hospitals and clinics. The balance of the allocation will go towards the upgrading and rehabilitation of existing facilities. The upgrading and rehabilitation activities will be funded from the Provincial Infrastructure Grant and the Health Hospital Revitalisation Program.

The R5.1 million allocation to Social Services will largely fund new departmental facilities in a number of locations as well as work on a Youth Detention Centre in Clanwilliam.

The R16.6 million of the R 56.275 million allocated for Agriculture will go towards new construction including conversions for training offices (R4 million), student accommodation (R5.7 million) and new lecture rooms (R6.9 million). The balance of R39.675 million is divided between sustainable resource management, farmer infrastructure development, technical research and development, veterinary services, waterflow controls, soil conservation and other farmer support development.

Table 11.1 Summary of provincial infrastructure payments and estimates by vote			
Provincial departments	2004/05 R'000	Medium-term estimate	
		2005/06 R'000	2006/07 R'000
1. Provincial Administration			
2. Provincial Parliament			
3. Provincial Treasury			
4. Community Safety			
5. Education	129 206	105 896	112 496
6. Health	152 120	161 854	195 455
7. Social Services and Poverty Alleviation	5 100	4 500	
8. Housing			
9. Environmental Affairs and Development Planning			
10. Transport and Public Works	878 545	1 142 486	1 398 590
11. Agriculture	56 275	50 838	52 420
12. Local Government			
13. Economic Development and Tourism			
14. Cultural Affairs and Sport			
Total provincial infrastructure payments and estimates by vote	1 221 246	1 465 574	1 758 961

12. Summary of transfers to public entities

Thirteen public entities will receive R109,614 million from various provincial departments in 2004/05. The major receiver at R60,902 million (55.7%) will be the Western Cape Nature Conservation Board (WCNCB), which is, inter alia, responsible for nature conservation and related matters in the Province. The second highest receiver is the Western Cape Tourism Board or its planned legal successor the Destination Marketing Organisation (DMO) at R20,032 million (17,3%). Legislation is currently being finalised to create the DMO as a joint project with the City of Cape Town advocating the joint marketing of all agencies working to promote the Western Cape as a tourism destination. Other public entities receiving transfers are the Western Cape Cultural Commission, Western Cape Liquor Board and the Western Cape Trade and Promotion Agency (WESGRO). The above are reflected in more detail Table 12.1

Provincial department	Outcome			Main appropriation 2003/04 R'000	Adjusted appropriation 2003/04 R'000	Revised estimate 2003/04 R'000	Medium-term estimate			
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000				2004/05 R'000	% Change from Revised estimate 2003/04	2005/06 R'000	2006/07 R'000
1. Provincial Administration	862	2 638	3 092	3 262	3 262	3 262	3 428	5.09	3 579	3 772
2. Provincial Parliament										
3. Provincial Treasury	5 300	6 000	4 000	6 855	4 700	4 700	2 585	(45.00)	2 000	2 100
4. Community Safety										
5. Education										
6. Health										
7. Social Services and Poverty Alleviation										
8. Housing										
9. Environmental Affairs and Development Planning	52 746	51 603	62 360	59 380	61 365	61 365	62 597	2.01	65 431	68 963
10. Transport and Public Works										
11. Agriculture			7 882	11 100	10 186	10 186	5 500	(46.00)	4 500	4 500
12. Local Government										
13. Economic Development and Tourism	9 840	9 840	9 840	8 291	11 441	11 441	26 032	127.53	28 032	28 032
14. Cultural Affairs and Sport	10 748	6 623	9 166	8 457	9 257	9 257	9 472	2.32	9 549	9 549
Total provincial transfers to public entities	79 496	76 704	96 340	97 345	100 211	100 211	109 614	9.38	113 091	116 916

13. Transfers to local government

In terms of section 17(1) of the Division of Revenue Act, 2004, provincial treasuries must publish, with its annual budget or in the provincial Gazette, not later than 30 April 2004, the allocations per municipality for every allocation made by the province to a municipality in that province. As the finalisation of this information is still in process of being compiled in detail, it will be published in a Provincial Gazette shortly.

The Human Settlement and Redevelopment national conditional grant (department of Housing) is one amount to be transferred to local governments. Other major transfers are for the maintenance of proclaimed roads, funding of public transport facilities and community development projects (Department of Transport and Public Works).

Although the Housing Subsidy grant is taken up in the standard chart of accounts as a transfer to households, it is channelled through municipalities and must thus be gazetted. The above are reflected in more detail in table 13.1.

Table 13.1 Summary of provincial transfers to local government by category										
GFS function	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimate			
	Audited 2000/01	Audited 2001/02	Audited 2002/03				2004/05	% Change from Revised estimate 2003/04	2005/06	2006/07
	R'000	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Category A	182 794	158 854	121 570	149 536	198 852	181 919	122 221	(32.82)	139 521	112 964
Category B	63 906	61 893	70 284	96 288	118 120	113 915	106 007	(6.94)	62 469	95 697
Category C	58 177	45 287	47 471	49 751	47 769	49 374	58 403	18.29	96 319	101 812
Total provincial transfers to local government	304 877	266 034	239 325	295 575	364 741	345 208	286 631	(16.97)	298 309	310 473

14. Provincial payments and estimates by district and local municipality

Although most of the provincial departments perform functions over the whole of the geographical area of the Western Cape, the expenditure is predominantly generated in the City of Cape Town. This is due to the geographical spread of the population, to the head offices of provincial departments being situated in Cape Town, as well as the fact that most contractors have their head offices in the City and require payments to be made in Cape Town. Table A.7 only indicates the source of payment generation and is not a true reflection of the specific municipality benefiting from such spending. The systems capturing such data will be improved over time to enable more accurate completion of this table.

15. Expenditure on training

This table represents expense on training and bursaries by departments on their own staff in line with the requirements of section 30 of the Skills Development Levies Act, 1999, which requires that each public service employer in the national and provincial spheres of government must budget for at least 1% of its payroll (where payroll has been 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 15.1 reflects the expenditure on training.

Also included in the table is provision for the training of Members of the Provincial Parliament. Important training costs not included in the table are

- the establishment and other costs related to the -
 - Kromme Rhee and George campuses of the provincial training component (Vote 1 - Provincial Administration);
 - Philippi Training College 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).

Table 15.1 Summary of provincial expenditure on training by vote

Provincial department	Outcome			Main appropriation 2003/04 R'000	Adjusted appropriation 2003/04 R'000	Revised estimate 2003/04 R'000	Medium-term estimate			
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000				2004/05 R'000	% Change from Revised estimate 2003/04	2005/06 R'000	2006/07 R'000
1. Provincial Administration	10 892	12 636	13 176	14 848	14 393	14 418	14 558	0.97	14 970	15 270
2. Provincial Parliament	31	199	64	93	84	84	244	190.48	260	294
3. Provincial Treasury		11	599	500	370	392	360	(8.16)	380	400
4. Community Safety	9	28	125	339	287	287	676	135.54	562	568
5. Education	12 894	10 991	19 814	29 288	29 288	29 288	41 700	42.38	23 450	24 336
6. Health	48 551	53 961	58 367	78 185	81 251	81 251	76 606	(5.72)	72 195	65 831
7. Social Services and Poverty Alleviation		1 223	1 285	1 516	1 516	1 516	2 191	44.53	2 315	2 451
8. Housing	866	191	201	337	337	337	554	64.39	576	639
9. Environmental Affairs and Development Planning	62	95	460	616	810	779	1 107	42.11	1 228	1 182
10. Transport and Public Works	176	273	1 349	556	570	570	3 668		3 321	3 605
11. Agriculture	423	516	537	545	545	545	814	49.36	854	876
12. Local Government	82	141	165	288	288	267	785	194.01	515	485
13. Economic Development and Tourism							250		260	270
14. Cultural Affairs and Sport	2	16	25	505	505	505	596	18.02	589	603
Total provincial expenditure on training	73 988	80 281	96 167	127 616	130 244	130 239	144 109	768	121 475	116 810

16. Bibliography

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Table A.1 Conditional Grants: Information relating to Section 6.2																
Vote and grant	2000/01			2001/02			2002/03			2003/04			Medium-term estimate			
	Adjusted appro- piation	Actual transfer	Audited expen- diture	Adjusted appro- piation	Actual transfer	Audited expen- diture	Adjusted appro- piation	Actual transfer	Audited expen- diture	Adjusted appro- piation	Actual transfer	Audited expen- diture	2004/05 R'000	% Change from Revised estimate 2003/04	2005/06 R'000	2006/07 R'000
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000				
Vote 3: Provincial Treasury	214 168	214 168	207 797	225 647	225 647	225 647										
Financial and personnel management system support	8 666	8 666	2 295													
Supplementary allocation	205 502	205 502	205 502	207 647	207 647	207 647										
Other	205 502	205 502	205 502	184 547	184 547	184 547										
Housing: Capacity building				1 100	1 100	1 100										
Economic: National Land Transport Transition Act				1 000	1 000	1 000										
Health: Health Management				16 000	16 000	16 000										
Finance: Implementation of Public Finance Management Act				5 000	5 000	5 000										
Provincial Infrastructure: Flood Damage				18 000	18 000	18 000										
Vote 5: Education	41 981	41 981	36 708	46 650	46 650	40 231	58 934	58 934	57 463	65 484	65 554	65 554	47 160	(28.06)	51 311	60 160
Financial management and quality enhancement	15 168	15 168	11 369	16 827	16 827	14 966	18 037	18 037	18 037	18 519	18 519	18 519		(100.00)		
Early childhood development				1 659	1 659	727	4 187	4 187	2 716	6 952	6 952	6 952		(100.00)		
HIV/Aids (Lifeskills education)	2 297	2 297	823	5 017	5 017	1 391	11 376	11 376	11 376	9 518	9 518	9 518	10 543	10.77	11 176	11 847
Disaster management											70	70				
Primary national school nutrition programme	24 516	24 516	24 516	23 147	23 147	23 147	25 334	25 334	25 334	30 495	30 495	30 495	36 617	20.08	40 135	48 313
Vote 6: Health	1 260 738	1 260 738	1 257 756	1 329 354	1 330 182	1 323 955	1 397 970	1 397 970	1 398 129	1 436 158	1 437 158	1 437 158	1 511 051	5.14	1 550 005	1 646 275
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	2.54	1 121 380	1 188 663
Central hospital	961 949	961 949	961 949													
Health Professions training and development	292 326	292 326	292 326	308 776	308 776	308 776	316 364	316 364	316 364	314 696	314 696	314 696	327 210	3.98	323 278	323 278
Integrated nutrition programme	4 273	4 273	2 292	5 642	5 642	1 309	3 455	3 455	3 455	4 158	4 158	4 158	4 809	15.66	5 288	
Comprehensive HIV/AIDS Health	2 190	2 190	1 189	3 500	4 328	2 434	11 713	11 713	11 872	24 204	24 204	24 204	57 962	139.47	82 451	115 670
Medico-legal										1 000	1 000	1 000				
Hospital management and quality improvement							19 000	19 000	19 000	16 376	16 376	16 376	16 983	3.71	17 608	18 664
Subtotal Conditional grants	1 516 887	1 516 887	1 502 261	1 601 651	1 602 479	1 589 833	1 456 904	1 456 904	1 455 592	1 501 642	1 502 712	1 502 712	1 558 211	3.69	1 601 316	1 706 435

Vote and grant	2000/01			2001/02			2002/03			2003/04			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	Adjusted appro- priation	Actual transfer	Audited expen- diture	2004/05 R'000	% Change from Revised estimate 2003/04	2005/06 R'000	2006/07 R'000
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000				
Vote 7: Social Services and Poverty Alleviation	6 583	6 583	5 723	4 142	179 650	1 454	3 290	2 267	57 261	80 289	95 055	95 055	213 436	124.54	383 079	508 781
Financial management and improvement of social security system	4 583	4 583	3 083	642	642	467	1 200	1 200	1 200							
Child support extension	2 000	2 000	2 096							57 355	72 121	72 121	190 314	163.88	359 772	484 076
Social security backlog					175 508				53 977							
Victim empowerment			144													
Criminal justice system (care)			400	1 000	1 000	983	2 090	1 067	2 084	2 900	2 900	2 900	3 088	6.48	3 273	3 469
Food emergency relief										20 034	20 034	20 034	20 034		20 034	21 236
One stop child justice centre																
Social grants: regulation 11																
Marketing of the child support				2 500	2 500	4										
Disaster relief																
Vote 8: Housing	350 976	350 976	372 570	336 991	336 991	330 478	386 028	392 110	384 664	436 782	436 782	436 782	460 345	5.39	459 041	486 584
Housing subsidy	341 466	341 466	363 237	325 861	325 861	328 618	372 778	378 860	378 860	423 282	423 282	423 282	446 035	5.38	447 492	474 341
Capacity building	510	510	1 130													
Hostel upgrading			3 000													
Human resettlement and redevelopment	9 000	9 000	5 203	11 130	11 130	1 860	13 250	13 250	5 804	13 500	13 500	13 500	14 310	6.00	11 549	12 243
Vote 9: Environmental affairs and development planning											2 400	2 400		(100.00)		
Disaster damage											2 400	2 400		(100.00)		
Vote 10: Transport and Public Works	28 294	28 294	24 552	78 524	78 524	87 812	131 589	136 427	141 067	221 665	221 665	221 665	264 432	19.29	287 840	338 841
Provincial Infrastructure				49 524	49 524	45 237	86 589	91 427	94 281	139 726	139 726	139 726	179 215		199 215	223 215
Hospital revitalisation	28 294	28 294	24 552	29 000	29 000	42 575	45 000	45 000	46 786	81 939	81 939	81 939	85 217	4.00	88 625	115 626
Vote 11: Agriculture		315	105	878	878	1 075	10 921	6 083	7 802	7 264	9 104	9 104	43 175	374.24	49 338	53 420
Land care programme: Poverty relief and infrastructure development		315	105	878	878	1 075	1 300	1300	1666	1 800	1 800	1 800	3 500	94.44	2 500	3 000
Comprehensive Agriculture support programme													13 765		17 206	20 648
Provincial Infrastructure							9 621	4783.00	6 136	5 464	7 304	7 304	25 910	254.74	29 632	29 772

Table A.1 (continued) Conditional Grants: Information relating to section 6.2																
Vote and grant	2000/01			2001/02			2002/03			2003/04			Medium-term estimate			
	Adjusted appropriation	Actual transfer	Audited expenditure	Adjusted appropriation	Actual transfer	Audited expenditure	Adjusted appropriation	Actual transfer	Audited expenditure	Adjusted appropriation	Actual transfer	Audited expenditure	2004/05	% Change from Revised estimate 2003/04	2005/06	2006/07
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Vote 12: Local Government	5 420	5 420	6 583	17 500	17 500	5 890	25 343	25 343	24 077	24 021	24 021	24 021	23 558	(1.93)	3 738	3 962
Local government support	5 420	5 420	6 583	17 500	17 500	5 890	16 500	16 500	15 376							
Local government capacity building fund										20 714	20 714	20 714	20 050	(3.21)		
Provincial project management capacity for Municipal infrastructure (MIG) [previously CMIP]							8 843	8 843	8 701	3 307	3 307	3 307	3 508	6.08	3 738	3 962
Vote 14: Cultural Affairs and Sport													1 000		2 670	4 340
Mass sport and recreation participation programme													1 000		2 670	4 340
Subtotal Conditional grants	391 273	391 588	409 533	438 035	613 543	426 709	557 171	562 230	614 871	770 021	789 027	789 027	1 005 946	27.49	1 185 706	1 395 928
Total Conditional grants	1 908 160	1 908 475	1 911 794	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	11.89	2 787 022	3 102 363

Table A.2 Information relating to Section 6.3: Details of total provincial own receipts										
Provincial own receipts	Outcome			Main appro- priation	Adjusted appro- priation	Revised estimate	Medium-term estimate			
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000	2003/04 R'000	2003/04 R'000	2003/04 R'000	2004/05 R'000	% Change from Revised estimate 2003/04	2005/06 R'000	2006/07 R'000
Tax receipts										
Casino taxes	21 654	85 630	111 079	106 000	125 070	128 693	98 000	(23.85)	107 000	120 000
Motor vehicle licenses	339 167	455 588	528 636	600 791	618 791	618 791	658 903	6.48	698 823	741 149
Horseracing	27 733	24 795	21 345	10 300	12 700	10 447	10 300	(1.41)	10 300	10 300
Other taxes	3 171	3 780	4 057	4 009	4 009	4 062	4 090	0.69	4 177	4 177
Total tax receipts	391 725	569 793	665 117	721 100	760 570	761 993	771 293	1.22	820 300	875 626
Non-tax receipts										
Sale of goods and services other than capital assets	168 526	156 081	168 643	142 559	191 252	195 535	191 440	(2.09)	199 460	218 074
Sales of goods and services produced by department	168 373	155 911	168 597	142 543	191 236	195 535	191 424	(2.10)	199 444	218 058
Sales by market establishments	6 367	9 902	11 804	8 500	13 600	14 116	13 600	(3.66)	15 640	17 765
Administrative fees	22 264	12 729	19 091	12 448	12 448	13 921	13 758	(1.17)	14 480	14 714
Other sales	139 742	133 280	137 702	121 595	165 188	167 498	164 066	(2.05)	169 324	185 579
Of which										
External exams										
Health patient fees	70 451	88 895	95 159	90 942	131 785	131 829	131 826	(0.00)	136 089	150 597
Subsidised Motor Transport	239	30								
Miscellaneous Capital Receipts	1 210	1 878	1 904	1 626	1 626	1 958	1 719	(12.21)	1 797	1 797
Boarding & Lodging	6 021	6 733	6 245	6 405	6 405	6 081	6 508	7.02	6 991	6 991
Sales	498	326	328	150	150	307	263	(14.33)	290	290
Registration, tuition & exam fees	36	29	44	51	51	106	103	(2.83)	141	141
Vehicle repair service			36	50	50	249	100	(59.84)	72	72
Lost library books	3 630	(40)	1 144							
Commission on insurance			15	9	9	9	8	(11.11)	8	8
Parking	22	17	14	1	1	1		(100.00)		
Sport gatherings	121	187	449	42	42	42	100	138.10	110	110
Trading account surplus	17 396	3 552	1							
Letting of property	1 123	1 747	2 082	1 500	2 400	2 400	2 400		2 760	3 135
House rent	403	367	471	160	160	433	160		160	160
Tender documentation	460	299	625	100	100	100	656		689	768
Tuition fees	2 711	2 489	2 464	2 545	2 545	2 545	2 600		2 600	2 800
Lab services	1 903	1 851	2 130	2 185	2 185	2 185	2 233		2 233	2 456
Sale of agricultural products	2 064	2 251	2 970	2 222	2 972	2 972	2 280		2 280	2 500
Other	31 454	22 669	21 621	13 607	14 707	16 281	13 110	(19.48)	13 104	13 754
Sales of scrap, waste, arms and other used current goods (excluding capital assets)	153	170	46	16	16		16		16	16
Fines, penalties and forfeits	2 188	1 807	2 349	1 856	1 856	1 587	350	(77.95)	350	350
Interests, dividends and rent on land	155 189	190 028	256 159	138 156	245 656	248 031	94 790	(61.78)	63 473	45 087
Interest	154 698	189 721	255 883	112 876	220 376	224 498	69 468	(69.06)	38 191	19 845
Dividends										
Rent on land	491	307	276	25 280	25 280	23 533	25 322	7.60	25 282	25 242
Total non-tax receipts	325 903	347 916	427 151	282 571	438 764	445 153	286 580	(35.62)	263 283	263 511

Table A.2 (continued) Information relating to Section 6.3: Details of total provincial own receipts										
Provincial own receipts	Outcome			Main appropriation 2003/04 R'000	Adjusted appropriation 2003/04 R'000	Revised estimate 2003/04 R'000	Medium-term estimate			
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000				2004/05 R'000	% Change from Revised estimate 2003/04	2005/06 R'000	2006/07 R'000
Transfers received from										
Other governmental units	1 135	1 992	551			1 627		(100.00)		
Universities and technikons	6 615	8 728	8 808	8 215	8 215	8 215	8 900	8.34	9 123	9 123
Foreign governments										
International organisations										
Public corporations and private enterprises	182	244	285							
Households and non-profit institutions	178	34	52				1		1	1
Total transfers	8 110	10 998	9 696	8 215	8 215	9 842	8 901	(9.56)	9 124	9 124
Sales of capital assets										
Land and subsoil assets										
Other capital assets	4 355	2 582	3 784	19	22 279	23 617	24 020	1.71	24 020	24 022
Total sales of capital assets	4 355	2 582	3 784	19	22 279	23 617	24 020	1.71	24 020	24 022
Financial transactions	34 640	23 681	9 675	3 765	6 265	13 372	3 938	(70.55)	4 356	4 356
Total provincial own receipts	764 733	954 970	1 115 423	1 015 670	1 236 093	1 253 977	1 094 732	(12.70)	1 121 083	1 176 639

Table A.3: Details of information on provincial payments and estimates

Table A.3 Information relating to Section 8.3: Details of provincial payments and estimates by economic classification										
Economic classification	Outcome			Main appro- priation	Adjusted appro- priation	Revised estimate	Medium-term estimate			
	Audited 2000/01	Audited 2001/02	Audited 2002/03	2003/04	2003/04	2003/04	2004/05	% Change from Revised estimate 2003/04	2005/06	2006/07
	R'000	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Current payments										
Compensation of employees	6 125 160	6 493 390	6 976 263	7 738 831	7 681 700	7 587 384	8 529 706	12.42	8 885 386	9 256 013
Salaries and wages	5 182 643	5 508 488	5 933 578	6 615 479	6 554 851	6 476 048	7 292 662	12.61	7 593 853	7 912 193
Social contributions	942 517	984 902	1 042 685	1 123 352	1 126 849	1 111 336	1 237 044	11.31	1 291 533	1 343 820
Goods and services	1 681 240	1 883 358	2 355 015	2 901 625	2 942 342	2 999 853	3 240 760	8.03	3 536 110	3 760 599
Interest and rent on land	4 057	2 752	1 922	2 379	2 379	2 379	2 503	5.21	2 671	2 807
Interest	665	342		138	138	138		(100.00)		
Rent on land	3 392	2 410	1 922	2 241	2 241	2 241	2 503	11.69	2 671	2 807
Financial transactions in assets and liabilities	3 243	5 044	5 304	1 581	2 068	2 263	1 747	(22.80)	1 744	1 829
Unauthorised expenditure										
Total current payments	7 813 700	8 384 544	9 338 504	10 644 416	10 628 489	10 591 879	11 774 716	11.17	12 425 911	13 021 248
Transfers and subsidies to										
Provinces and municipalities	320 356	298 625	310 042	317 834	390 468	369 135	306 592	(16.94)	318 763	331 986
Provinces	6 897	3 809	6 133							
Provincial Revenue Funds	6 897	3 809	6 133							
Provincial agencies and funds										
Municipalities	313 459	294 816	303 909	317 834	390 468	369 135	306 592	(16.94)	318 763	331 986
Municipalities	313 260	294 611	303 686	317 607	390 226	368 889	305 979	(17.05)	318 138	329 536
Municipal agencies and funds	199	205	223	227	242	246	613	149.19	625	2 450
Departmental agencies and accounts	80 496	100 079	89 041	90 776	111 949	111 949	122 117	9.08	126 610	130 644
Universities and technikons	31 292	34 291	41 075	49 569	47 797	47 797	51 090	6.89	53 646	56 765
Public corporations and private enterprises	396	8 460	3 954	550	550	550		(100.00)		
Public corporations	396	8 460	3 954	550	550	550		(100.00)		
Subsidies on production										
Other transfers	396	8 460	3 954	550	550	550		(100.00)		
Private enterprises										
Subsidies on production										
Other transfers										
Foreign governments and international organisations	61	113	100	98	98	98	100	2.04	105	110
Non-profit institutions	560 943	661 367	831 446	780 868	852 971	851 751	763 125	(10.41)	791 880	831 482
Households	2 135 921	2 287 774	3 060 471	3 656 114	3 779 167	3 575 245	4 255 626	19.03	4 741 761	5 385 680
Social benefits	1 772 176	1 923 735	2 628 267	3 181 644	3 303 560	3 246 433	3 752 575	15.59	4 230 822	4 844 456
Other transfers to households	363 745	364 039	432 204	474 470	475 607	328 812	503 051	52.99	510 939	541 224
Total transfers and subsidies	3 129 465	3 390 709	4 336 129	4 895 809	5 183 000	4 956 525	5 498 650	10.94	6 032 765	6 736 667
Payments for capital assets										
Buildings and other fixed structures	435 334	491 144	587 648	635 955	679 180	679 180	772 501	13.74	930 705	1 178 829
Buildings	174 854	232 670	253 003	335 350	353 915	353 915	330 737	(6.55)	308 261	348 462
Other fixed structures	260 480	258 474	334 645	300 605	325 265	325 265	441 764	35.82	622 444	830 367
Machinery and equipment	118 491	231 150	233 524	221 806	244 217	242 620	226 713	(6.56)	195 354	202 278
Transport equipment	20 105	40 586	29 258	8 830	11 388	11 388	5 267	(53.75)	5 526	5 331
Other machinery and equipment	98 386	190 564	204 266	212 976	232 829	231 232	221 446	(4.23)	189 828	196 947
Cultivated assets										
Software and other intangible assets	1				1 490	1 490	4 131	177.25	4 034	4 243
Land and subsoil assets	833	8 899	1 855	2 000	2 280	2 280	2 100	(7.89)	2 200	2 300
Total payments for capital assets	554 659	731 193	823 027	859 761	927 167	925 570	1 005 445	8.63	1 132 293	1 387 650
Total economic classification	11 497 824	12 506 446	14 497 660	16 399 986	16 738 656	16 473 974	18 278 811	10.96	19 590 969	21 145 565
Direct charge	15 432	10 550	11 340	13 826	13 826	12 134	13 561	11.76	14 917	16 409
Total economic classification (including direct charge)	11 513 256	12 516 996	14 509 000	16 413 812	16 752 482	16 486 108	18 292 372	10.96	19 605 886	21 161 974

Table A.4(a) Payments summary by policy area			
GFS Functions	Category	Department	Programme
General public services	Legislative	Provincial Administration	1.1 Office of the Premier
		Provincial Parliament	2.1 Administration of the Provincial Parliament
			2.2 Procedural services
			2.3 Facilities and benefits of members
	Financial and Fiscal Affairs	Provincial Treasury	3.1 Administration 3.2 Financial governance 3.3 Resource management 3.4 Public finance and accounting 3.5 Asset management 3.6 Contingency provision
	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	12.1 Administration 12.2 Local governance 12.3 Development and planning
Public order and safety	Police services	Community Safety	4.1 Administration 4.2 Provincial secretariat for safety and security 4.3 Safety promotion

Table A.4(a) (continued) Payments summary by policy area				
GFS Functions	Category	Department	Programme	
Economic affairs	General economic	Economic Development and Tourism	13.1	Administration
			13.2	Enterprise development
			13.4	<i>iKapa elihlumayo</i>
	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 development
			11.6	Agricultural economics
			11.7	Structured agricultural training
			10.2.4	Agriculture (Public works)
	Transport	Transport and 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
		Community Safety	4.4	Traffic management
	Communication	Tourism	13.3	Tourism
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	Housing	8.1	Administration
			8.2	Housing planning and research
			8.3	Housing performance/subsidy programme
			8.4	Urban renewal and human settlement redevelopment
			8.5	Housing asset management

Table A.4(a) (continued) Expenditure summary per policy area			
GFS Functions	Category	Department	Programme
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
Recreation culture and religion	Recreational and sporting services	Cultural Affairs and Sport	14.4 Sport and recreation
	Cultural services	Cultural Affairs and Sport	14.1 Administration 14.2 Cultural affairs 14.3 Library and information services
Education	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 5.2.6 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.4(b): Details of expense by policy area

Table A.4(b) Details of provincial payments and estimates by policy area									
GFS function	Outcome			Main appropriation 2003/04 R'000	Adjusted appropriation 2003/04 R'000	Revised estimate 2003/04 R'000	Medium-term estimate		
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000				2004/05 R'000	2005/06 R'000	2006/07 R'000
FUNCTION - GENERAL PUBLIC SERVICES									
Category - Legislative									
Provincial Administration (Programme 1.1)	5 231	7 449	11 631	13 326	14 978	13 419	13 075	13 718	14 018
Provincial Parliament (Vote 2 plus direct charge)	33 034	30 557	35 227	43 260	43 260	41 257	46 861	51 210	54 786
Total for Category - Legislative	38 265	38 006	46 858	56 586	58 238	54 676	59 936	64 928	68 804
Category - Financial and fiscal affairs									
Department of Provincial Treasury (Vote 3)	39 956	51 276	60 533	127 979	103 437	76 649	113 686	115 008	117 442
Total for Category - Financial and fiscal affairs	39 956	51 276	60 533	127 979	103 437	76 649	113 686	115 008	117 442
Category - General services									
Provincial Administration (Programme 1.2 to 1.8)	194 196	271 640	324 093	295 449	311 252	310 065	295 857	288 474	297 895
Department of Local government (Vote 12)	21 458	31 179	49 038	65 732	80 641	69 875	76 374	54 247	55 770
Total for Category - General services	215 654	302 819	373 131	361 181	391 893	379 940	372 231	342 721	353 665
TOTAL FOR FUNCTION - GENERAL PUBLIC SERVICES	293 875	392 101	480 522	545 746	553 568	511 265	545 853	522 657	539 911
FUNCTION - PUBLIC ORDER AND SAFETY									
Category - Police services									
Department of Community Safety (Programmes 4.1, 4.2 and 4.3)	23 499	53 440	74 656	76 855	79 881	79 881	79 441	85 488	88 052
Total for Category - Police services	23 499	53 440	74 656	76 855	79 881	79 881	79 441	85 488	88 052
TOTAL FOR FUNCTION - PUBLIC ORDER AND SAFETY	23 499	53 440	74 656	76 855	79 881	79 881	79 441	85 488	88 052
FUNCTION - ECONOMIC AFFAIRS									
Category - General economic affairs									
Department of Economic Development and Tourism (Programmes 13.1, 13.2 and 13.4)	18 669	22 977	18 192	78 682	83 519	82 206	87 027	88 343	94 057
Total for Category - General economic	18 669	22 977	18 192	78 682	83 519	82 206	87 027	88 343	94 057

Table A.4(b) (continued) Details of provincial payments and estimates by policy area

GFS function	Outcome			Main appropriation 2003/04 R'000	Adjusted appropriation 2003/04 R'000	Revised estimate 2003/04 R'000	Medium-term estimate		
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000				2004/05 R'000	2005/06 R'000	2006/07 R'000
FUNCTION - ECONOMIC AFFAIRS (continued)									
Category - Agriculture Department of Agriculture (Vote 11 and sub-programme 10.2.4)	97 793	118 523	136 587	190 216	192 818	192 818	242 081	246 168	254 101
Total for Category - Agriculture	97 793	118 523	136 587	190 216	192 818	192 818	242 081	246 168	254 101
Category - Transport 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	736 371	793 916	1 058 884	1 113 534	1 193 160	1 190 925	1 285 907	1 501 023	1 745 454
Total for Category - Transport	736 371	793 916	1 058 884	1 113 534	1 193 160	1 190 925	1 285 907	1 501 023	1 745 454
Category - Community safety Department of Community Safety (Programme 4.4)	27 450	43 690	44 095	63 588	61 449	61 449	71 995	70 768	72 244
Total for Category - Community safety	27 450	43 690	44 095	63 588	61 449	61 449	71 995	70 768	72 244
Category - Tourism Department of Communication (Sub-programme 13.3)	11 700	27 838	124 430	40 722	41 057	40 038	31 301	34 149	34 149
Total for Category - Community safety	11 700	27 838	124 430	40 722	41 057	40 038	31 301	34 149	34 149
TOTAL FOR FUNCTION - ECONOMIC AFFAIRS	891 983	1 006 944	1 382 188	1 486 742	1 572 003	1 567 436	1 718 311	1 940 451	2 200 005
FUNCTION - ENVIRONMENTAL PROTECTION									
Category - Environmental protection Department of Environmental Affairs and development Planning (Vote 9)	79 313	92 660	120 470	122 682	123 661	120 661	135 035	140 033	144 771
Total for Category - Environmental protection	79 313	92 660	120 470	122 682	123 661	120 661	135 035	140 033	144 771
TOTAL FOR FUNCTION - ENVIRONMENTAL PROTECTION	79 313	92 660	120 470	122 682	123 661	120 661	135 035	140 033	144 771
FUNCTION - HOUSING AND COMMUNITY AMENITIES									
Category - Housing development Department of Housing (Vote 8)	389 861	380 446	433 516	517 651	538 733	370 625	551 885	555 039	585 130
Total for Category - Housing development	389 861	380 446	433 516	517 651	538 733	370 625	551 885	555 039	585 130
TOTAL FOR FUNCTION - HOUSING AND COMMUNITY AMENITIES	389 861	380 446	433 516	517 651	538 733	370 625	551 885	555 039	585 130

Table A.4(b) (continued)

Details of provincial payments and estimates by policy area

Head of receipts	Outcome			Main appropriation 2003/04 R'000	Adjusted appropriation 2003/04 R'000	Revised estimate 2003/04 R'000	Medium-term estimate		
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000				2004/05 R'000	2005/06 R'000	2006/07 R'000
FUNCTION - HEALTH									
Category - Health n.e.c.									
Department of Health (Programme 6.1 and sub-programme 10.2.2)	199 918	273 004	229 423	462 138	455 418	447 947	425 075	466 772	519 064
Total for Category - Health n.e.c.	199 918	273 004	229 423	462 138	455 418	447 947	425 075	466 772	519 064
Category - Outpatient service									
Department of Health Services (Programme 6.2)	852 185	927 968	993 592	1 141 721	1 153 605	1 144 805	1 284 709	1 800 192	1 963 917
Total for Category - Outpatient service	852 185	927 968	993 592	1 141 721	1 153 605	1 144 805	1 284 709	1 800 192	1 963 917
Category - R & D Health (CS)									
Department of Health Services (Programme 6.6)	50 364	58 132	65 381	75 583	74 455	72 100	74 954	70 456	63 999
Total for Category - R & D Health (CS)	50 364	58 132	65 381	75 583	74 455	72 100	74 954	70 456	63 999
Category - Hospital services									
Department of Health Services (Programmes 6.3, 6.4, 6.5 and 6.7)	2 341 395	2 448 957	2 669 982	2 799 983	2 887 856	2 920 880	3 161 532	2 862 289	2 971 943
Total for Category - Hospital services	2 341 395	2 448 957	2 669 982	2 799 983	2 887 856	2 920 880	3 161 532	2 862 289	2 971 943
TOTAL FOR FUNCTION - HEALTH	3 443 862	3 708 061	3 958 378	4 479 425	4 571 334	4 585 732	4 946 270	5 199 709	5 518 923
FUNCTION - RECREATION CULTURE AND RELIGION									
Category - Recreation and sporting services									
Department of Cultural Affairs and Sport (Programme 14.4)	12 470	12 615	18 561	23 845	23 845	24 445	27 479	29 011	31 372
Total for Category - Recreation and sporting services	12 470	12 615	18 561	23 845	23 845	24 445	27 479	29 011	31 372
Category - Cultural services									
Department of Cultural Affairs and Sport (Programmes 14.1 to 14.3)	70 603	77 244	89 917	113 556	114 309	112 609	127 860	132 653	136 401
Total for Category - Cultural services	70 603	77 244	89 917	113 556	114 309	112 609	127 860	132 653	136 401
TOTAL FOR FUNCTION - RECREATION CULTURE AND RELIGION	83 073	89 859	108 478	137 401	138 154	137 054	155 339	161 664	167 773

Table A.4(b) (continued) Details of provincial payments and estimates by policy area									
Head of receipts	Outcome			Main appropriation 2003/04 R'000	Adjusted appropriation 2003/04 R'000	Revised estimate 2003/04 R'000	Medium-term estimate		
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000				2004/05 R'000	2005/06 R'000	2006/07 R'000
FUNCTION - EDUCATION									
Category - Pre-primary and primary education Department of Education (Programme 5.7 and sub-programme 5.2.1)	2 011 564	2 102 021	2 267 646	2 462 856	2 475 259	2 467 659	2 630 221	2 756 473	2 873 791
Total for Category - Pre-primary and primary education	2 011 564	2 102 021	2 267 646	2 462 856	2 475 259	2 467 659	2 630 221	2 756 473	2 873 791
Category - Secondary education Department of Education (Sub-programme 5.2.2)	1 227 590	1 359 859	1 476 152	1 607 572	1 604 972	1 610 962	1 736 560	1 841 020	1 914 221
Total for Category - Secondary education	1 227 590	1 359 859	1 476 152	1 607 572	1 604 972	1 610 962	1 736 560	1 841 020	1 914 221
Category - Subsidiary service to education Department of Education (Programme 5.3)	16 831	22 025	23 745	24 949	27 549	27 549	31 162	32 751	34 421
Total for Category - Subsidiary service to education	16 831	22 025	23 745	24 949	27 549	27 549	31 162	32 751	34 421
Category - Education not definable by level Department of Education (Programmes 5.1, 5.4, 5.5, 5.6 and 5.8, sub-programmes 5.2.3, 5.2.4, 5.2.6 and 10.2.3)	837 526	918 322	1 043 072	1 175 976	1 162 451	1 164 061	1 260 769	1 375 658	1 466 245
Total for Category - Education not definable by level	837 526	918 322	1 043 072	1 175 976	1 162 451	1 164 061	1 260 769	1 375 658	1 466 245
TOTAL FOR FUNCTION - EDUCATION	4 093 511	4 402 227	4 810 615	5 271 353	5 270 231	5 270 231	5 658 712	6 005 902	6 288 678
FUNCTION - SOCIAL PROTECTION									
Category - Social security services Department of Social Services and Poverty alleviation (Vote 7 and sub-programme 10.2.5)	2 214 279	2 391 258	3 140 177	3 775 957	3 904 917	3 843 223	4 501 526	4 994 943	5 628 731
Total for Category - Social security services	2 214 279	2 391 258	3 140 177	3 775 957	3 904 917	3 843 223	4 501 526	4 994 943	5 628 731
TOTAL FOR FUNCTION - SOCIAL SERVICES AND POVERTY ALLEVIATION	2 214 279	2 391 258	3 140 177	3 775 957	3 904 917	3 843 223	4 501 526	4 994 943	5 628 731
TOTAL: BY FUNCTION	11 513 256	12 516 996	14 509 000	16 413 812	16 752 482	16 486 108	18 292 372	19 605 886	21 161 974

Table A.5: Details of expense on infrastructure

Table A.5 Information relating to section 11: Details of expenditure for infrastructure by category				
Category/type of structure	Vote	MTEF		
		2004/05 R000	2005/06 R'000	2006/07 R'000
New constructions (buildings and infrastructure)	Transport and Public Works ^a	184 517	153 207	159 807
Rehabilitation/upgrading	Transport and Public Works ^a	251 302	352 673	607 686
Other capital projects	Transport and Public Works ^a	369 088	474 957	462 795
Maintenance	Transport and Public Works ^a	376 664	437 899	478 253
Subtotal		1 181 571	1 418 736	1 708 541
Agriculture	Agriculture ^b	39 675	46 838	50 420
Total provincial infrastructure		1 221 246	1 465 574	1 758 961

^a Detail available in Table B6, page 510^b Detail available in Table B6, page 590

Table A.6: Details of transfers to local government

Table A.6 Information relating to section 5.7: Transfers to local government by transfers/grant type, category and municipality										
Municipalities	Outcome			Main appro- priation 2003/04 R'000	Adjusted appro- priation 2003/04 R'000	Revised estimate 2003/04 R'000	Medium-term estimate			
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000				2004/05 R'000	% Change from Revised estimate 2003/04	2005/06 R'000	2006/07 R'000
Category A	182 794	158 854	121 570	149 536	198 852	181 919	122 221	(32.82)	139 521	112 964
City of Cape Town	182 794	158 854	121 570	149 536	198 852	181 919	122 221	(32.82)	139 521	112 964
Category B	63 906	61 893	70 284	96 288	118 120	113 915	106 007	(6.94)	62 469	95 697
Beaufort West	4 143	3 974	2 464	3 927	4 449	4 449	3 900	(12.34)	3 248	3 328
Bergrivier	502	695	1 302	3 025	3 125	3 125	930	(70.24)	537	1 498
Bitou	2 036	2 980	2 438	3 310	3 310	3 310	4 136	24.95	2 735	4 670
Breede River/Winelands	3 593	3 001	5 781	3 250	5 223	5 223	7 696	47.35	1 527	2 501
Breede Valley	10 165	2 831	2 323	9 314	9 314	10 179	3 326	(67.32)	2 469	3 494
Cape Agulhas	591	730	831	744	744	744	1 310	76.08	500	1 600
Cederberg	615	771	1 478	2 898	2 948	2 948	1 379	(53.22)	1 004	1 992
Drakenstein	3 627	5 056	4 860	7 381	8 256	8 256	4 999	(39.45)	4 357	5 583
George	8 397	7 127	8 811	9 071	9 376	9 376	8 510	(9.24)	6 200	8 500
Kannaland	1 110	2 075	1 479	2 867	2 867	2 867	1 065	(62.85)	300	1 600
Knysna	2 457	2 298	2 428	4 897	5 047	5 047	3 461	(31.42)	2 681	4 672
Laingsburg	47	84	540	1 145	1 145	1 145	2 609	127.86	1 005	2 006
Langeberg	3 248	3 362	3 169	4 684	4 834	4 834	3 793	(21.53)	1 955	3 600
Matzikama	400	1 131	1 786	2 348	2 409	2 409	1 899	(21.17)	1 295	2 298
Mossel Bay	3 739	3 770	3 029	3 392	3 392	3 392	4 468	31.72	3 155	4 884
Oudtshoorn	1 403	2 145	5 003	2 654	2 793	2 793	3 484	24.74	2 010	5 396
Overstrand	2 125	3 017	3 556	5 200	5 300	5 300	4 656	(12.15)	1 612	2 772
Paarl	1 000						450			
Prince Albert	219	888	851	535	585	585	1 155	97.44	1 510	1 287
Robertson				120						
Saldanha Bay	1 390	2 218	1 838	3 011	3 822	3 822	2 886	(24.49)	3 129	3 441
Stellenbosch	2 634	4 851	3 223	5 566	4 655	4 655	3 981	(14.48)	3 016	4 170
Swartland	1 431	3 163	3 952	3 104	3 596	3 596	3 062	(14.85)	2 490	3 605
Swellendam	198	1 718	1 430	1 806	1 856	1 856	1 807	(2.64)	508	1 608
Theewaterskloof	3 831	1 542	5 070	3 830	4 730	4 690	3 982	(15.10)	2 453	3 659
Witzenberg	5 005	2 466	2 642	7 999	8 531	8 531	2 205	(74.15)	1 283	2 244
Unallocated				210	15 813	10 783	24 858	130.53	11 490	15 289
Category C	58 177	45 287	47 471	49 751	47 769	49 374	58 403	18.29	96 319	101 812
Boland	6 277	5 995	10 096	11 015	11 370	11 665	17 411	49.26	14 434	16 283
Central Karoo	4 907	5 511	6 378	6 344	9 594	9 844	4 990	(49.31)	4 655	5 501
Eden	12 737	10 821	12 380	9 304	9 654	10 004	9 799	(2.05)	10 157	10 636
Overberg	17 087	8 431	9 365	8 129	8 479	8 879	8 962	0.93	8 769	10 283
West Coast	17 169	14 529	9 252	8 982	8 672	8 982	10 457	16.42	10 482	11 202
Unallocated				5 977			6 784		47 822	47 907
Total transfers to local government	304 877	266 034	239 325	295 575	364 741	345 208	286 631	(16.97)	298 309	310 473

Table A.7: Details of provincial payments and estimates by district and local municipality

Table A.7 Summary of provincial payments and estimates by district and local municipality										
Municipalities	Outcome			Main appropriation 2003/04 R'000	Adjusted appropriation 2003/04 R'000	Revised estimate 2003/04 R'000	Medium-term estimate			
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000				2004/05 R'000	% Change from Revised estimate 2003/04	2005/06 R'000	2006/07 R'000
Cape Town Metro	7 535 713	8 338 795	9 687 788	10 961 922	11 195 983	11 223 723	12 131 565	8.09	12 930 604	13 827 965
West Coast Municipalities	520 567	525 925	599 000	684 312	687 775	710 763	773 881	8.88	834 570	897 198
Matzikama	118 457	128 123	153 891	177 907	181 602	182 655	203 352	11.33	223 725	248 139
Cederberg	50 460	54 113	59 280	64 841	65 388	65 522	68 980	5.28	72 364	75 778
Bergrivier	35 476	38 028	41 529	46 099	46 358	48 687	48 061	(1.29)	50 359	52 600
Saldanha Bay	76 616	82 785	90 802	99 962	101 027	118 061	107 923	(8.59)	113 661	116 095
Swartland	103 651	111 377	119 862	130 946	132 655	135 461	142 474	5.18	149 086	156 259
West Coast DMA	80	455	400	100	100	100		(100.00)		
West Coast District Municipality	18 449	21 928	28 922	26 115	29 659	29 295	31 393	7.16	32 202	33 927
Unallocated	117 378	89 115	104 314	138 342	130 986	130 982	171 698	31.09	193 174	214 399
Boland Municipalities	1 522 131	1 631 315	1 900 193	2 123 184	2 187 017	2 208 306	2 400 002	8.68	2 643 212	2 912 573
Witzenberg	90 091	96 860	104 440	117 316	118 142	118 201	121 860	3.10	127 530	133 417
Drakenstein	290 557	311 320	336 589	368 735	372 992	384 320	399 424	3.93	418 693	438 814
Stellenbosch	145 026	155 571	168 006	184 713	184 518	188 472	197 599	4.84	206 518	215 883
Breede Valley	248 358	264 277	289 524	313 597	317 226	321 636	341 346	6.13	357 498	375 212
Breede River/Winelands	88 685	95 237	102 715	112 358	113 739	113 793	121 000	6.33	126 675	132 593
Breede River DMA	411 978	446 677	587 473	704 484	728 306	728 306	841 012	15.48	956 411	1 098 548
Boland District Municipality	17 790	22 533	38 242	28 637	37 182	36 907	37 243	0.91	38 477	40 479
Unallocated	229 646	238 840	273 204	293 345	314 912	316 671	340 517	7.53	411 410	477 627
Overberg Municipalities	251 185	281 325	316 359	345 041	348 985	363 507	398 364	9.59	453 767	605 623
Theewaterskloof	86 777	91 849	100 158	108 940	109 696	111 666	118 336	5.97	122 893	128 557
Overstrand	40 349	43 962	47 645	54 092	54 600	56 494	55 427	(1.89)	57 934	60 674
Cape Agulhas	31 760	33 465	36 472	39 482	39 779	41 809	43 075	3.03	44 865	46 974
Swellendam	25 514	29 340	31 453	34 357	34 670	43 346	36 675	(15.39)	38 088	39 727
Overberg DMA	260						50			
Overberg District Municipality	17 802	20 945	29 216	27 254	30 369	30 087	32 733	8.79	34 446	36 747
Unallocated	48 724	61 764	71 415	80 916	79 870	80 105	112 067	39.90	155 541	292 944
Eden Municipalities	1 036 193	1 095 550	1 250 516	1 402 661	1 405 850	1 475 918	1 575 856	6.77	1 681 773	1 767 054
Kannaland	29 584	32 593	34 812	38 798	39 037	39 059	39 885	2.12	41 578	43 507
Langeberg	54 706	58 365	63 570	70 245	70 908	71 420	75 528	5.75	78 310	81 988
Mossel Bay	84 483	91 496	98 902	110 301	110 224	132 336	118 575	(10.40)	124 153	129 901
George	380 630	407 776	480 222	547 897	560 572	577 878	625 247	8.20	683 352	753 270
Oudtshoorn	262 986	272 790	285 348	317 446	300 286	312 503	313 874	0.44	322 351	331 101
Bitou	25 233	26 764	29 149	31 655	31 820	31 831	34 845	9.47	35 602	37 224
Knysna	62 831	67 765	73 489	80 109	81 333	98 884	87 784	(11.22)	91 814	96 153
South Cape DMA				103	103	103		(100.00)		
Eden District Municipality	14 738	18 548	29 984	21 645	27 045	26 664	27 292	2.35	28 470	29 962
Unallocated	121 002	119 453	155 039	184 464	184 522	185 241	252 825	36.48	276 141	263 949
Central Karoo Municipalities	290 568	307 675	364 944	444 404	473 980	475 714	515 497	8.36	575 752	639 318
Laingsburg	7 978	9 049	10 424	11 445	11 482	12 489	13 957	11.76	14 586	15 050
Prince Albert	13 506	15 070	16 168	17 181	17 351	18 362	18 811	2.44	20 060	20 274
Beaufort West	211 815	229 533	286 160	334 581	344 171	344 231	391 315	13.68	436 434	491 856
Central Karoo DMA							30			
Central Karoo District Municipality	10 149	12 729	15 878	14 038	15 035	14 733	16 446	11.63	16 821	17 765
Unallocated	47 120	41 294	36 314	67 159	85 942	85 898	74 938	(12.76)	87 852	94 373
Unallocated	341 466	325 861	378 860	438 462	439 065	16 042	483 646	2914.87	471 291	495 834
Total provincial expenditure by district and local municipality	11 497 824	12 506 446	14 497 660	16 399 986	16 738 656	16 473 974	18 278 811	10.96	19 590 969	21 145 565