

# Budget Main Points 2012

## Introduction

Budget 2012 has allocated resources to high priority areas linked to the achievement of the Provincial Strategic Objectives.

Initiatives by the Western Cape Government to address socio-economic challenges have already realised some returns, evidenced through improved educational outcomes, decreased child and maternal mortality rates and expanding treatment for HIV/Aids and TB. These gains should however be viewed within the bigger context of high youth unemployment, increasing substance abuse and fractured households.

The fortunes of the Western Cape economy are linked to developments internationally as well as within the broader economy. The Western Cape economic outlook has improved since the recent post-recession period and forecasts indicate that the economy is going to continue to grow over the next few years. However, the key risks to growth remain those mainly external to the Western Cape economy, and largely as a result of dampened growth in advanced economies that will impact on domestic exports.

Investment in strengthening the productive base of the economy through targeted infrastructure investment, improving the competitiveness of the economy through partnerships with the private sector and other spheres of government and unlocking the real growth potential of the export markets will support sustainable economic growth and job creation. Improving education outcomes and skill levels of the labour force, as well as improved health outcomes remain a priority for the Western Cape budget and receives the bulk of the provincial budget. This in turn will aid a reduction in unemployment rates and poverty, both of which are the root cause of a number of social challenges within the Province. Furthermore a number of initiatives are already underway and more will be introduced to promote social inclusion and a culture of active citizenship.

Underpinning improving the Western Cape Government's performance is also a strong focus on good governance. We will focus on greater efficiency, efficacy, value for money; collaboration, synergy and improved accountability within departments, entities and across spheres of government in spending public funds.

Budget 2012 represents the plan towards achieving these objectives and ensuring better lives for all Western Cape citizens.

## Economic outlook

Global economic growth slowed during 2011, marked by slower growth in both developed and emerging markets. Global growth is expected to moderate further over the short term owing to the contagion risk for the Eurozone emanating from Greek sovereign debt challenges.

National GDP growth for the third quarter of 2011 was recorded below anticipated levels, with the growth for 2011 moderating to 3.1 per cent. National GDP growth is expected to further moderate in 2012 (2.8 per cent) before accelerating in 2013 (3.6 per cent). The Western Cape economy is estimated to have grown by 3.6 per cent during 2011, driven by the service-orientated sectors such as transport, storage and communication, wholesale and retail trade, catering and accommodation and finance, real estate, insurance and business services. The Western Cape economy is expected to grow by 4 per cent between 2012 and 2016.

**Table 1 Growth Forecast for Western Cape GDP; 2011 - 2016 at constant 2005 prices**

Description	2011(e)	2012(f)	2013(f)	2014(f)	2015(f)	2016(f)	Average annual growth (2012 - 2016)
Agriculture, forestry & fishing	4.4	2.7	2.7	3.5	3.9	3.9	3.4
Mining & quarrying	4.3	1.1	0.9	1.0	1.1	1.1	1.1
Manufacturing	3.0	2.4	3.4	3.5	3.4	3.4	3.2
Electricity, gas & water	1.1	3.3	3.2	3.3	3.3	3.3	3.3
Construction	1.9	2.5	3.7	4.1	4.2	5.0	3.9
Wholesale & retail trade, catering & accommodation	4.0	3.7	4.1	4.0	4.0	4.0	4.0
Transport, storage & communication	4.8	4.9	5.5	5.7	5.5	5.6	5.4
Finance, insurance, real estate & business services	4.0	4.1	4.3	4.8	4.9	5.0	4.6
Community, social & personal services	3.0	2.9	3.0	3.0	3.2	3.2	3.0
General government	2.4	2.3	3.5	3.3	3.5	3.5	3.2
<b>Total</b>	<b>3.6</b>	<b>3.5</b>	<b>4.0</b>	<b>4.2</b>	<b>4.3</b>	<b>4.4</b>	<b>4.0</b>

Sources: StatsSA/Quantec/BER, e denotes estimate, f denotes forecast  
BER/Quantec Research

Although the growth prospects of the Western Cape economy are positive, there are still a number of socio-economic challenges that need to be addressed. Targeted government interventions and investment in respect of improving education outcomes of the labour force, skills development and increasing wellness amongst the population are expected to support long term and sustainable economic growth, which in turn will aid in reducing unemployment and alleviate poverty.

## Provincial Revenue

The Western Cape Provincial Government finances its expenditure via three main sources, i.e. National Transfers; Provincial Own Receipts and the Asset Financing Reserve (AFR).

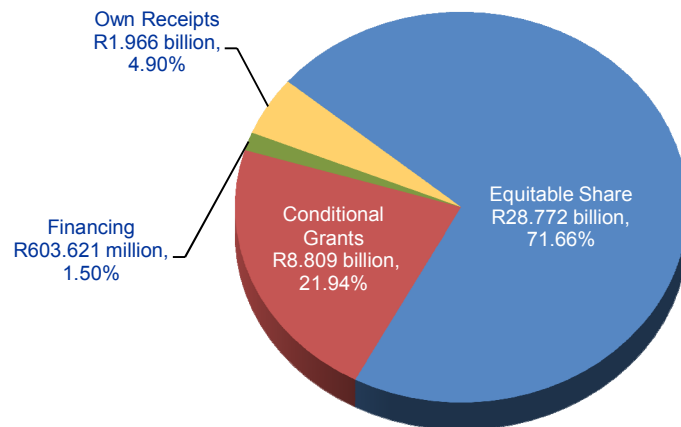
Transfers from National Government (i.e. provincial equitable share and conditional grants) increase by R2.253 billion or 6.38 per cent from a revised estimate of R35.328 billion in 2011/12 to R37.581 billion in 2012/13. It is estimated to grow to R40.328 billion in 2013/14 and R43.178 billion in 2014/15, or at an annual average rate of 6.92 per cent over the 2012 MTEF.

Increases in the Provincial Equitable Share for 2012/13 cater for increased personnel costs related to general salary increments. Funding for policy priorities from National is only made available in 2013/14 and 2014/15.

Total provincial receipts are set to grow at an average annual rate of 6.4 per cent over the 2012 MTEF from R37.707 billion in 2011/12 (revised estimate) to R40.151 billion in 2012/13, R42.531 billion in 2013/14 and R45.418 billion in 2014/15.

Figure 1 shows the high level summary of the share of provincial revenue sources. Provincial Equitable share present the highest share (71.66 per cent) followed by Conditional Grants (21.94 per cent). Together they contribute 93.6 per cent into the Provincial Revenue. Provincial Own Receipts contribute 4.9 per cent and the Asset Finance Reserve which is designed for infrastructure investment contributes 1.5 per cent.

**Figure 1 Shares of Provincial revenue sources – 2012/13**

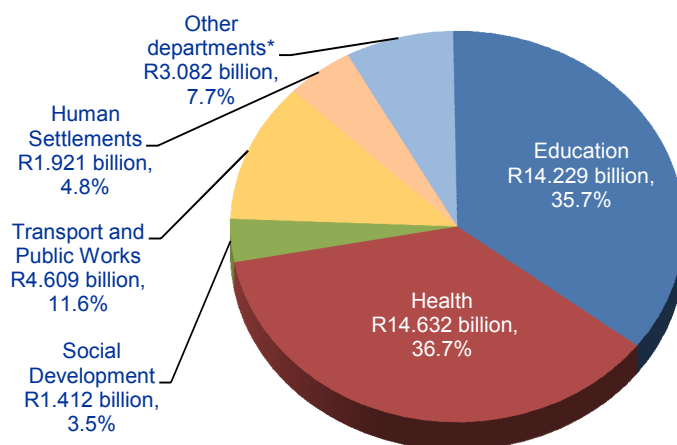


The three largest revenue item contributors in 2012/13 to provincial own receipts are Motor vehicle licence fees which is estimated to contribute R943.400 million, Casino and horse racing taxes are estimated to add R297 million, Sales of goods and services other than capital assets which includes hospital fees is estimated to contribute R418.501 million.

## Provincial Allocations

Figure 2 shows the relative shares of allocations to provincial departments and the Provincial Parliament. The largest beneficiaries of the 2012/13 budget are Health (36.7 per cent share), Education (35.7 per cent share), Transport and Public Works (11.6 per cent share), Human Settlements (4.8 per cent share) and Social Development (3.5 per cent).

**Figure 2 Relative shares of allocations to Provincial Votes**



\*Other departments: Premier, Provincial Parliament, Provincial Treasury, Community Safety, Environmental Affairs and Development Planning, Agriculture, Economic Development and Tourism, Cultural Affairs and Sport, Local Government.

**Table 2 Summary of provincial payments and estimates by vote**

Vote R'000	Outcome						Medium-term estimate			
	Audited 2008/09	Audited 2009/10	Audited 2010/11	Main appro- priation 2011/12	Adjusted appro- priation 2011/12	Revised estimate 2011/12	% Change from Revised estimate			
							2012/13	2011/12	2013/14	2014/15
1. Department of the Premier	429 493	478 089	620 918	697 197	694 018	694 018	<b>699 802</b>	0.83	754 436	785 667
2. Provincial Parliament	62 323	64 054	74 606	88 242	88 716	86 716	<b>93 603</b>	7.94	99 254	105 209
3. Provincial Treasury	120 950	138 371	127 500	144 976	143 420	142 920	<b>154 286</b>	7.95	164 441	172 665
4. Community Safety	242 329	272 623	288 542	310 978	307 218	307 218	<b>358 414</b>	16.66	374 027	396 251
5. Education	9 192 478	10 613 313	11 955 743	13 331 843	13 377 152	13 377 152	<b>14 229 057</b>	6.37	15 141 749	16 010 394
6. Health	8 655 845	10 371 034	12 344 628	13 395 060	13 428 910	13 429 652	<b>14 632 361</b>	8.96	15 739 982	16 751 232
7. Social Development	1 215 245	1 165 389	1 222 183	1 331 611	1 332 141	1 319 677	<b>1 411 512</b>	6.96	1 539 274	1 633 460
8. Human Settlements	1 539 212	1 701 333	2 165 120	1 836 006	1 836 506	1 834 960	<b>1 920 894</b>	4.68	2 059 383	2 193 014
9. Environmental Affairs and Development Planning	204 584	263 330	299 970	351 262	348 534	348 534	<b>379 273</b>	8.82	390 645	414 039
10. Transport and Public Works	2 766 228	3 872 191	3 807 886	4 116 260	4 207 273	4 191 101	<b>4 608 897</b>	9.97	4 592 152	4 795 666
11. Agriculture	355 699	490 117	483 485	501 718	517 192	517 192	<b>559 792</b>	8.24	589 321	616 270
12. Economic Development and Tourism	229 921	263 217	235 751	254 414	257 070	257 070	<b>291 117</b>	13.24	383 542	403 091
13. Cultural Affairs and Sport	499 970	301 730	294 023	313 158	352 480	352 480	<b>390 761</b>	10.86	410 342	443 701
14. Local Government	76 423	81 121	110 689	135 974	129 997	129 997	<b>155 228</b>	19.41	155 413	164 730
<b>Total provincial payments and estimates by vote</b>	<b>25 590 700</b>	<b>30 075 912</b>	<b>34 031 044</b>	<b>36 808 699</b>	<b>37 020 627</b>	<b>36 988 687</b>	<b>39 884 997</b>	<b>7.83</b>	<b>42 393 961</b>	<b>44 885 389</b>

Note: This table excludes direct charges.

### Towards achieving the 12 Provincial Strategic Objectives

The Western Cape Government through its Provincial Strategic Objectives aims to develop programmes across government through its departmental strategies. Challenges in the Province will be addressed transversally, with an increased emphasis on the alignment between policy and budget formulation to give effect to the Western Cape Government's policy objectives.

Provincial and national objectives and outcomes are strongly aligned with a sustained emphasis on social services such as education and health. Good governance remains at the epicentre of this government as is evident in the transversal management system which aims to measure and track performance related to the implementation of the Provincial Strategic Objectives. The Western Cape Government believes that economic development is central in addressing the challenges facing the Province and will elevate the Province to a higher growth trajectory in order to create jobs and reduce poverty.

The **Department of the Premier** receives R699.802 million in 2012/13, R754.436 million in 2013/14 and R785.667 million in 2014/15 and continues to drive Provincial Strategic Objective 12. This aims to build the best run regional government in the world. Five outcome themes are emphasised, namely: e-Government, Efficient and Transparent Institutional Governance, Citizen-centric Service Delivery, Management for Results and People Management. The Department is also actively collaborating with the Department of Economic Development and Tourism in all facets of the Provincial Broadband Implementation Plan. As such an amount of R12.500 million in 2012/13, R13 million in 2013/14 and R13.702 million in 2014/15 is set aside for the collaborative initiative with the City of Cape Town in respect of Fibre Optic Broadband Connectivity.

The **Western Cape Provincial Parliament** (WCPP) will place increased emphasis on the constitutional obligation of the oversight role by the Legislature to ensure that service delivery needs are focus areas of departments. The budget to be appropriated for this vote (excluding direct charges) is R298.066 million over the three years of the 2012 MTEF.

The **Provincial Treasury's** 2012 budget will focus on improving financial management practices in departments, entities and municipalities. Over the 2012 MTEF the Provincial Treasury will endeavour to ensure conformance of all provincial departments, public entities and municipalities with all relevant prescripts of financial management, and in turn further improve fiscal performance management. Combined, these two outcomes are ultimately intended to ensure that budgets are positioned to achieve the intended purpose of departments, entities and municipalities. For this purpose the Provincial Treasury is allocated a budget of R154.286 million for 2012/13, R164.441 million for 2013/14 and R172.665 million for 2014/15.

Over the 2012 MTEF, the **Department of Community Safety** receives total allocations of R358.414 million in 2012/13, R374.027 million in 2013/14 and R396.251 million in 2014/15. Key focus areas include increasing safety in the Western Cape by improving performance of the South African Police Service (SAPS) through effective oversight and maximising safety of the Western Cape Government's assets and personnel. The Department continues to enhance its efforts in implementing social crime prevention strategies and places a greater emphasis on encouraging the communities to actively participate in the initiatives that promote public safety. The Department is committed to intensifying road safety education and changing overall road user behavior.

The **Western Cape Education Department (WCED)** is allocated an amount of R45.381 billion over the 2012 MTEF, with allocations of R14.229 billion in 2012/13, R15.142 billion in 2013/14 and R16.010 billion in 2014/15. The Department receives 35.7 per cent of the provincial budget for the 2012/13 financial year. The improvement of education outcomes remain a key priority of the Department and it will continue to strengthen and deepen the key initiatives identified in 2009 for the 2012 MTEF and through to 2019. The main goals to improve education outcomes in the Province remain improving performance in Literacy and Numeracy in Grades 1 to 6; increasing the number of learners passing Grade 12, including an increase in the number of learners passing with matric endorsement and an increase in the number of learners passing mathematics and science; and reducing the number of under-performing schools. A total amount of R1.47 billion is allocated to Early Childhood Development (ECD) over the 2012 MTEF.

The **Department of Health** is allocated R14.632 billion in 2012/13, R15.740 billion in 2013/14 and R16.751 billion in 2014/15 – a total of R47.124 over the 2012 MTEF - towards improving wellness in the Province. A key component in the strategy of reducing the burden of disease in the Province is the prevention of lifestyle illness and disease and promoting a healthy lifestyle. Reducing injuries, improving women and child health and reducing the incidence of infectious diseases such as HIV and AIDS and Tuberculosis also remains key priority areas going forward. Building on the success of its partnerships, the Department will continue to provide guidance and participate in transversal initiatives across government departments and broader society to address the upstream or contributory causes of disease. Improving the quality of care, at both a clinical and patient experience level, and the provision of Primary Health Care and District Health Services remain vital in ensuring the delivery of accessible and quality comprehensive health care. The commissioning of the Khayelitsha District Hospital in early 2012 and Mitchell's Plain Hospital in 2013 will further improve access to quality healthcare in the Cape Town Metro District. The upgrade of Valkenberg Hospital expected to be completed in 2017, is anticipated to significantly reduce the forensic psychiatry backlog for awaiting trial prisoners.

The **Department of Social Development** will continue to redirect funding for the most effective and efficient fit between community needs and national and provincial strategic priorities. The main focus will be to promote social inclusion and to reduce poverty in the Western Cape. For this purpose an amount of R4.584 billion is allocated to the Department over the 2012 MTEF. The allocation comprises of R1.412 billion in 2012/13, R1.539 billion in

2013/14 and R1.633 billion in 2014/15. In an attempt to intensify interventions that seek to avert the burden of substance abuse in the Province, the Department estimates to spend R77.730 million in 2012/13, R80.779 million in 2013/14 and R84.026 million in 2014/15. Since 2009 the Department has increased the subsidised spaces in treatment programmes from 3 700 to 4 800 in 2011. Early Childhood Development and Victim Empowerment receives additional funding of R64.210 million in 2013/14 and R69.952 million in 2014/15. The funds will enable the Department, amongst others, to further increase the subsidies and to compliant non-profit organisations providing early childhood care to 0 - 4 year olds. The Department estimates to spend R24 million in 2012/13, R25.200 million in 2013/14 and R26.485 million in 2014/15 on youth at risk.

R6.2 billion is allocated to the **Department of Human Settlements** over the 2012 MTEF. The budget allocated amounts to R1.921 billion in 2012/13, R2.059 billion in 2013/14 and R2.193 billion in 2014/15. The budget is allocated towards prioritising the provision of basic services and serviced sites in order to accelerate provision of housing opportunities over the MTEF. The Department will increase service delivery through the deployment of Professional Resource Teams (PRT) to assist municipalities with project packaging and unblocking of People's Housing Process (PHP) programmes. In addition, the Department will ensure optimal and sustainable use of resources through partnerships to fund and provide green technologies for energy-efficient and cost-effective development, increase densities on well-located land and develop a provincial bulk infrastructure alignment strategy.

The overall budget allocations to the **Department of Environmental Affairs and Development Planning** comprise R379.273 million in 2012/13, R390.645 million in 2013/14 and R414.039 million in 2014/15. Key deliverables for the 2012/13 financial year include the development of the Provincial Spatial Plan which will serve as an instrument to ensure coordinated and sustainable capital investment in the Province. The development of a new provincial land use planning law (LUPA) remains a priority in conjunction with the key departmental mandates, namely Climate Change mitigation/ adaptation, waste management licensing, the implementation of the Green Procurement Policy as well as the Expanded Public Works Programme. The Department's budget includes allocations to **CapeNature** of R201.766 million in 2012/13, R203.268 million in 2013/14 and R214.239 million in 2014/15. In fulfilling the "biodiversity conservation management" mandate.

The **Department of Transport and Public Works** receives an amount of R13.997 billion over the 2012 MTEF. The MTEF allocation comprises of R4.609 billion in 2012/13, R4.592 billion in 2013/14 and R4.796 billion in 2014/15. The thrust of the budget for Transport and Public Works is to improve performance and to grow the economy through increased investment in capital and maintenance of infrastructure. The Department's budget for Public Works and Transport Infrastructure amounts to R10.081 billion over the 2012 MTEF of which the Public Works programme accounts for 39.1 per cent and the Transport programme accounts for 61 per cent. In support of the Province's economic growth and development objectives an additional amount of R574.351 million, over the MTEF, or R169.488 million in 2012/13, R296.805 million in 2013/14 and R198.058 million in 2014/15 has been allocated within the economic sector for construction and rehabilitation of roads and the Inner City Regeneration Programme.

The **Department of Agriculture** receives a budget of R1.765 billion over the 2012 MTEF, with amounts of R559.792 million in 2012/13, R589.321 million in 2013/14 and R616.270 million in 2014/15. The medium-term key priorities include promoting efficient use of water; ensuring food security in the Province and facilitating market access for farmers. Focus will be also placed on the research and development capacity of the Department to support clients with sound agricultural advice in order to increase agricultural production. An amount of R32.933 million over the 2012/13 MTEF has been set aside for this purpose. In order to minimise animal health risks and facilitate exports of animals and animal products, the Department will

intensify testing and inspection of animals. The Rural Development Programme will facilitate rural economic development that create jobs and develop skills.

The **Department of Economic Development and Tourism's** key goal is to create the opportunities for businesses and citizens to grow the economy and employment. The Department takes the lead in Provincial Strategic Objective 1 of creating opportunities for growth and jobs which aims to: create and maintain an enabling environment for business; and provide demand-led private sector driven support for growth sectors, industries, towns and businesses. The Department, over the 2012 MTEF, receives a total of R1.078 billion. This total is allocated as follows: R291.117 million in 2012/13; R383.542 million in 2013/14 and R403.091 million in 2014/15. Key deliverables include the establishment of the Economic Development Partnership (EDP) and the facilitation of Infrastructure-led economic growth projects such as supporting the expansion of the Cape Town International Convention Centre (CTICC), the Saldanha Bay IDZ initiative and the telecommunications broadband initiative.

The **Department of Cultural Affairs and Sport** receives R390.761 million in 2012/13, R410.342 million in 2013/14 and R443.701 million in 2014/15. The budget is targeted towards the Department fulfilling its responsibilities in Sport and Recreation, Arts and Culture, Libraries, Museums, Heritage and Archives. An amount of R13.270 million over the 2012 MTEF is allocated to support the consolidation of the MOD centre programme. These centres have been identified in impoverished communities that have little or no sports facilities and provide opportunities for school learners through sport and human movement.

The **Department of Local Government** is allocated an amount of R475.371 million over the 2012 MTEF. This allocation includes amounts of R155.228 million in 2012/13, R155.413 million in 2013/14 and R164.730 million in 2014/15. The Department plans to promote good governance and accountability by supporting municipalities with anti-corruption interventions, address institutional gaps in service delivery by increasing access to government services through Community Development Workers (CDW) and Thusong Centres, strengthen public participation through functional ward committees, neighbourhood plans and a sound municipal communication strategy, deploy experts to provide hands-on-support to municipalities and engage municipalities and departments on IDP priorities, implementation and budget alignment. In addition, the Department will continue to assist municipalities to develop and implement programmes for upgrading and financing their infrastructure and to manage and mitigate disaster risk of human-induced and/or natural disasters.

### ***Infrastructure and Maintenance***

The provision for infrastructure in 2012/13 at R4.049 billion is 9.47 per cent higher compared to the revised estimate of R3.698 billion in 2011/12. This reflects real growth in the budget allocation for infrastructure. Infrastructure funding allocated per category for 2012/13 are as follows: new and replacement assets R965.465 million (23.85 per cent of the total); upgrades and additions R546.664 million (13.50 per cent of the total); rehabilitation, renovations and refurbishments R1.441 billion (35.60 per cent of the total); maintenance and repairs R919.822 million (22.72 per cent of the total), current infrastructure transfers R36.841 million (0.91 per cent of the total); capital infrastructure transfers R125.811 million (3.11 per cent of the total) and other capital projects R12.815 million (0.32 per cent). The percentage allocation per category of infrastructure remains more or less the same over the MTEF period.

## **Funds Reserved**

Total funding of R179 million in 2014/15 has been reserved as follows:

- R79 million additional towards the expansion of the CTICC; and
- R100 million additional for the telecommunications broadband initiative funded from the AFR reserves.

## **Payments by Economic Classification**

The estimated total provincial expenditure for the 2012/13 financial year totals R39.917 billion (inclusive of the direct charges) and is an aggregation of Current payments of R29.938 billion, followed by Transfers and subsidies of R6.440 billion, Payments for capital assets of R3.502 billion and Payments for financial assets of R4.177 million. Of the total provincial expenditure, Current payments accounts for 75 per cent, and is mainly made up of Compensation of employees (R21.758 billion) and Goods and services (R8.180 billion). Goods and services inter alia, includes expenditure items for Advertising, Consultants and professional services, Travel and subsistence, Medicine and Medical supplies, Learner and teacher support material (LTSM) and Property payments. Transfers and subsidies mainly consist of transfers to Non-profit institutions (39.6 per cent or R2.552 billion) and Households (28.9 per cent or R1.861 billion). Buildings and other fixed structures is the majority of Payments for capital assets amounting to 86.8 per cent or R3.036 billion.

## **Transfers from the provincial government**

### *Public Entities*

In 2012/13 a total of R373.198 million will be transferred from various provincial departments to both national and provincial public entities. This signifies a decrease of R8.293 million or 2.17 per cent from the 2011/12 revised estimates of R381.491 million.

The year-on-year decrease in transfers to public entities is mainly reflected in transfers to the Cape Agency for Sustainable Integrated Development in Rural Areas (PTY) Ltd (Casidra) and the Destination Marketing Organisation (DMO). Transfers to Casidra (Pty) Ltd decreases by 14.13 per cent or R17.385 million from the 2011/12 revised estimate while the DMO is allocated 29.46 per cent or R10.439 million less than the 2011/12 revised estimate.

### *Local Government*

Direct transfers by the Province to municipalities have been budgeted at R1.753 billion for 2012/13, R1.846 billion for 2013/14 and R1.948 billion for 2014/15. The majority of these funds will be transferred to the City of Cape Town. Of the R39.885 billion Provincial budget for 2012/13, a total of R27.438 billion or 68.8 per cent of total estimated provincial spending will take place within the boundaries of the Cape Town Metro. R1.957 billion or 4.9 per cent of the budget is estimated to be spent in the West Coast district; R4.901 billion or 12.3 per cent in the Cape Winelands; in Overberg R1.369 billion or 3.4 per cent; in Eden R3.529 billion or 8.8 per cent; and in Central Karoo R661.459 million or 1.7 per cent. The largest share of these budget allocations is attributed to the provincial social cluster, followed by the economic and governance clusters.

## **Conclusion**

The Western Cape Government has committed itself to good governance practices, evident in the adoption of a transversal management system to measure and track performance related to the adoption of its 12 Provincial Strategic Objectives. Social services such as Education, Health and others remain a priority for the Province and efforts in this regard are directed to improve effectiveness and efficiency in the delivery thereof. Putting the Western Cape economy on a higher growth trajectory and job creation is the main priority for the Province.