



Western Cape  
Government  
FOR YOU

# MEDIUM TERM BUDGET POLICY STATEMENT

## 2023



**Western Cape Government  
Provincial Treasury**

**Medium Term  
Budget Policy Statement  
2023**

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# Foreword

At a time of mounting fiscal challenges, the Western Cape's fiscal strategy resonates with the Western Cape Government's objective of growth, jobs and hope. This involves making decisive and prudent policy decisions to ensure that we limit and safeguard the impact on all our citizens by ensuring that we formulate and deliver on **“a budget to build a future”**.

The 2023 Medium Term Budget Policy Statement outlines our fiscal approach in response to the deeply uncertain economic and fiscal environment and provides an overview of the 2024 Medium Term Expenditure Framework spending plans. These plans aim to drive our Growth for Jobs Strategy, strengthen citizen safety and protect essential services that affect the wellbeing of all citizens. This blueprint is supported by empowering innovation, nurturing culture, and enhancing good governance for a more robust future.

To give effect to this approach, the Western Cape Fiscal Strategy is guided by our budget policy principles of enabling long-run fiscal sustainability, unlocking allocative efficiency, and enhancing productive efficiency, while responding to fiscal consolidation. These principles signal our commitment to supporting basic services outcomes and ensuring that our collective future is better than our today.

I extend my heartfelt gratitude to the Premier and my Cabinet colleagues, the dedicated Provincial Treasury team, and officials across the Western Cape Government for their commitment and invaluable contributions to shaping this strategic fiscal roadmap. We are resolute in our determination to make the difficult choices that are necessary to navigate the challenges ahead guided by our collective belief that this budget is **“a budget to build a future”**.



**MS M WENGER**  
**MINISTER OF FINANCE AND ECONOMIC OPPORTUNITIES**  
28 November 2023

# Contents

<b>Chapter 1</b>	<b>Economic context</b>	
	Introduction	1
	The global economic context	2
	Developments and outlook for the South African economy	4
	The Western Cape Economic Outlook	11
	Evidence-based policy making in the Western Cape government	19
	Annexure A: 2023 Provincial Economic Review and Outlook Socio-economic summary	20
<b>Chapter 2</b>	<b>Medium Term Fiscal Framework</b>	
	Introduction	25
	National fiscal framework	26
	Impact on the Provincial Fiscal Framework	30
	2023 Adjusted Estimates	39
	Conclusion	41
<b>Chapter 3</b>	<b>Western Cape Fiscal Approach and Levers</b>	
	Introduction	43
	Medium term national fiscal context	43
	Western Cape Fiscal Approach	44
	Implementing the Western Cape Fiscal Approach and Levers	51
	Conclusion	57
	Annexure 1: Western Cape Risk Statement	58
<b>Chapter 4</b>	<b>Budget policy priorities</b>	
	Introduction	63
	Global, national, and provincial policy context	64
	Medium term budget policy framework	64
	Medium term budget policy priorities	67
	Theme 1: Growth for Jobs	67
	Theme 2: Safety	81
	Theme 3: Wellbeing	84
	Innovation, Culture and Governance	89
	Conclusion	95
	Annexure 1: Energy Allocations	96
<b>Glossary</b>		97

# Acronyms

AAGR	Average Annual Growth Rate
ABT	Area Based Teams
AFR	Asset Finance Reserve
AGSA	Auditor-General of South Africa
AIDS	Acquired Immune Deficiency Syndrome
APFYD	Agricultural Partnership For Youth Development
ASEZ	Atlantis Special Economic Zone
BFI	Budget Facility for Infrastructure
BPO	Business Process Outsourcing
CBT	Climate Budget Tagging
CDU	Chronic dispensing unit
CGRO	Corporate Governance Review and Outlook
CoE	Compensation of Employees
COPC	Community Oriented Primary Care
COVID-19	Coronavirus disease of 2019
CPI	Consumer Price Index
CSIR	Council for Scientific and Industrial Research
CYCCs	Child and Youth Care Centres
DCAS	Department of Cultural Affairs and Sport
DEAD&DP	Department of Environmental Affairs and Development Planning
DEDAT	Department of Economic Development and Tourism
DGS	Digital Government Strategy
DHIS	District Health Information System
DH&W	Department of Health & Wellness
DLG	Department of Local Government
DMRE	Department of Mineral Resources and Energy
DOA	Department of Agriculture
DOI	Department of Infrastructure
DoTP	Department of the Premier
DOCS	Department of Police Oversight and Community Safety
DSD	Department of Social Development
DSP	District Safety Plans
DWYPD	Department of Women, Youth and Persons with Disabilities
ECD	Early Childhood Development
EDB	Ease of Doing Business
EGRA	Early Grade Reading Assessment
EMS	Emergency Medical Services

ePS	e-Procurement Solution
EPWP	Expanded Public Works Programme
EU	European Union
FLISP	Finance Linked Individual Subsidy Programme
FTSF	Fiscal Transition Support Facility
FPS	Freeport Saldanha
G4J	Growth for Jobs
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GIS	Geographic Information System
GRB	Gender Responsive Budgeting
GRPBMEA	Gender Responsive Planning, Budgeting, Monitoring, Evaluation and Auditing
HECTIS	Hospital and Emergency Centre Tracking Information System
HIV	Human Immunodeficiency Virus
HPF	Hospital Patient Fees
HPV	Human Papillomavirus
ICT	Information Communication Technology
IDPs	Integrated Development Plans
IDZ	Industrial Development Zone
IMF	International Monetary Fund
IPP	Independent Power Producer
ISD	Integrated Service Delivery
JDA	Joint District Approach
JDMA	Joint District and Metro Approach
LEAP	Law Enforcement Advancement Programme
LURITS	Learner Unit Record Information Tracking System
MER	Municipal Energy Resilience
MOD	Mass participation; Opportunity and access; Development and growth
MS2B	Municipal Service to Business
MTBPC	Medium Term Budget Policy Committee
MTBPS	Medium Term Budget Policy Statement
MTEC	Medium Term Expenditure Committee
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
MVL	Motor Vehicle Licence
MW	Megawatt
NDP	National Development Plan
NEET	Not in Education, Employment, or Training
NHI	National Health Insurance

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NHWs	Neighborhood Watches
NPOs	Non-Profit Organisation
NSC	National Senior Certificate
PES	Provincial Equitable Share
PHC	Primary Health Care
PG MTEC	Provincial Government Medium Term Expenditure Committee
PPF	Project Preparation Facility
PPI	Producer Price Index
PPP	Public Private Partnership
PRASA	Passenger Rail Association of South Africa
PRF	Provincial Revenue Fund
PSDF	Provincial Spatial Development Framework
PSP	Provincial Strategic Plan
PV	Photovoltaic
QLFS	Quarterly Labour Force Survey
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
RMB/BER	Rand Merchant Bank/Bureau for Economic Research
RSEP	Regional Socio-Economic Projects
RTR	Red-Tape Reduction
SACU	Southern African Customs Union
SALGA	South African Local Government Association
SANDF	South African National Defence Force
SAPS	South African Police Service
SARB	South African Reserve Bank
SCM	Supply Chain Management
SCOA	Standard Chart of Accounts
SDF	Spatial Development Framework
SDG	Sustainable Development Goals
SDI	Service Delivery Index
SEA	School Evaluation Authority
SETA	Sector Education and Training Authority
SEZ	Specific Economic Zone
SIDAFF	Sustainable Infrastructure Development and Financing Facility
SMMEs	Small, Medium and Micro Enterprises
SOC	State Owned Company
SOE	State Owned Entity
SoS	Schools of Skill
StatsSA	Statistics South Africa



STEAMAC	Science, Technology, Engineering, Arts, Mathematics, Agriculture, Coding and Cloud Computing
STI	Sexually Transmitted Infection
TB	Tuberculosis
TVET	Technical and Vocational Education and Training
T2P	Transform to Perform
UK	United Kingdom
UPFS	Uniform patient fee schedule
US	United States
USD	United States Dollar
VIP	Vision-Inspired Priority
WC	Western Cape
WCCCRS	Western Cape Climate Change Response Strategy
WCED	Western Cape Education Department
WCG	Western Cape Government
WCGRB	Western Cape Gambling and Racing Board
WCIDWRP	Western Cape Integrated Drought and Water Response Plan
WCLA	Western Cape Liquor Authority
WEO	World Economic Outlook
WOSA	Whole Of Society Approach
WOW	Western Cape On Wellness

# 1

## Economic context

### In summary

- Global economic growth is expected to slow from 3.5% in 2022 to 3.0% in 2023, and 2.9% in 2024.
- The South African economy is expected to expand by 0.6% in 2023 and 1.1% in 2024, while the Western Cape is projected to grow at 0.9% in 2023 and 1.5% in 2024.
- The Western Cape made remarkable progress since the 4th quarter of 2021 with a 7.8 percentage point reduction in the unemployment rate, standing at 20.2% in the 3rd quarter of 2023.
- Western Cape tourism is expected to have an exceptionally good year with the number of foreign overnight visitors, for the first nine months of 2023 being the highest in six years.
- Between 2011 and 2022 the Western Cape's population surged by 1.610 million people, of which 18.3% was due to net in-migration.

### Introduction

South Africa's deepening economic crisis requires a policy response centred on stimulating investment and employment creation. At the core of our strategy should be a recognition of the pivotal role that governance plays in ensuring effective service delivery to our citizens. These interlinked factors not only bolster the economy but also resonate with the needs and expectations of our society.

The electricity crisis is a pressing concern that demands immediate attention. A stable and abundant power supply is critical for industrial growth and economic productivity. It is imperative that we expedite efforts to resolve this crisis, both by investing in energy infrastructure and by encouraging cleaner and more sustainable energy sources. The resolution of this issue will have a cascading effect, boosting economic activities and ensuring a better quality of life for our citizens.

Our policy approach should embody a well-balanced and comprehensive strategy, recognizing the interdependence of investment, employment creation, governance, tax revenue management, and addressing the electricity crisis — a budget to build your future. By diligently attending to these key factors, we aim not only to stimulate economic

growth but also to enhance the quality of life for our citizens, all while maintaining fiscal sustainability.

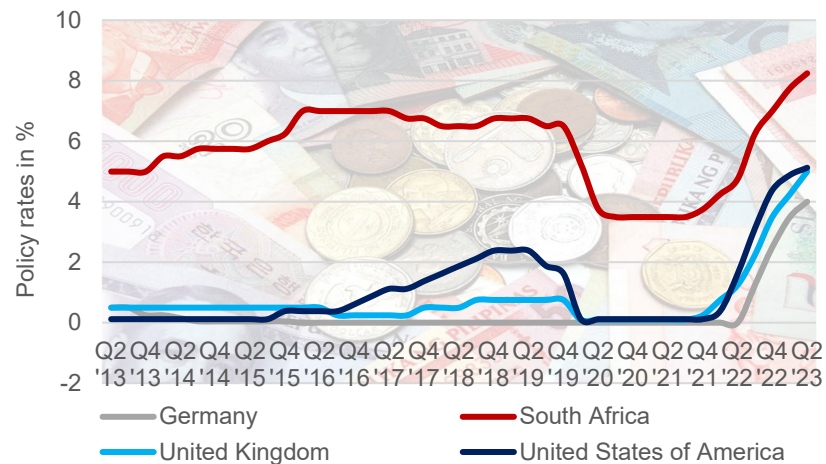
## The global economic context

The global geopolitical landscape is becoming increasingly intricate, with recent events notably the Israel-Hamas conflict adding to the existing complexities, while the global recovery from the pandemic and the Ukraine-Russia conflict remains slow and uneven. This sluggish progress can be attributed to various factors, including the ongoing repercussions of the pandemic, monetary policy tightening, reductions in fiscal support, and the impact of climate-related events.

Global growth to slow down to 3.0% in 2023 and 2.9% in 2024

Projections indicate a slowdown in global growth, from 3.5 per cent in 2022 to 3.0 per cent in 2023 and further to 2.9 per cent in 2024, while inflation is expected to gradually decrease. Although risks to the global outlook are now more balanced, challenges persist. These include the property crisis in China, inflationary pressures, and the high risk of debt distress in low-income countries. To address these challenges and facilitate a transition to a greener future, effective monetary and fiscal policies, structural reforms, and increased multilateral cooperation are crucial.

**Figure 1.1 Policy Interest rates of selected countries, 2Q2013 - 2Q2023**



Source: Economic Intelligence Unit

It is widely anticipated that the United States will maintain interest rates at a 22-year high, as they strive to manage the delicate balance of reducing inflation while preventing a recession. Up to this point, the Federal Reserve has increased the benchmark lending rate 11 times since March 2022. Surprisingly, robust consumer spending has played a pivotal role in keeping economic growth at unexpectedly high levels. Furthermore, consumer inflation remains well above policymakers' long-term target of two per cent, standing at over three per cent.

The European Central Bank (ECB) refrained from increasing interest rates in October 2023, marking the first time in 15 months that they have chosen to do so. This decision comes as signs of a deepening economic recession in



Europe loom large, with the shadow of war casting uncertainty over the economic outlook. This rate stands as the highest level since the inception of the currency in 1999.

**Table 1.1 Global economic performance and outlook, 2021 – 2024**

	GDP Growth (per cent)		GDP Forecast (per cent)	
	2021	2022	2023	2024
<b>World output</b>	6	3.5	3	2.9
<b>Advanced economies</b>	5.2	2.6	1.5	1.4
United States	5.7	2.1	2.1	1.5
Euro Area	5.2	3.3	0.7	1.2
<b>Emerging and developing economies</b>	6.6	4.1	4	4
China	8.1	3	5	4.2
South Africa	4.9	1.9	0.6	1.1
Western Cape	4.8	2.6	0.9	1.5

\* Projections for South Africa and the Western Cape are from Quantec.

Source: IMF, 2022; Quantec Research, 2022; Own Calculations

In the **United States**, economic growth is predicted to remain positive in 2023 and 2024. This is primarily due to robust business investment in the second quarter and continued strong consumer spending, which is supported by a tight job market. The government is expected to maintain an expansionary fiscal policy in 2023. However, factors such as slower wage growth, reduced pandemic-related savings, and the Federal Reserve's cautious monetary approach are likely to slow down economic growth in the latter part of 2023 and into 2024. The International Monetary Fund (IMF) revised its projected growth rate for the US upward by 0.3 percentage points to 2.1 per cent in 2023 and by 0.5 percentage points to 1.5 per cent in 2024.

*The US economy is expected to expand by 2.1% in 2023 and 1.5% in 2024*

Economic growth within the **Euro area**<sup>1</sup> is expected to experience fluctuations. While it is projected to decline in 2023, a subsequent increase is anticipated in 2024. However, these forecasts have been adjusted slightly when compared to previous estimates. The economic landscape across major Euro area countries is also divergent. Germany is expected to see a slight economic contraction in the latter part of 2023 due to various factors, leading to a revision in its growth projection. Conversely, France is showing signs of growth, due to improvements in industrial production and strong external demand in the first half of 2023, leading to a positive adjustment in its growth outlook. Projected growth for the Euro area is 0.7 per cent in 2023 and 1.2 per cent in 2024.



The **Chinese economy** grapples with significant economic challenges, which includes a property market crisis and declining investment. This scenario aligns with the European Union's apprehensions related to their ongoing anti-subsidy inquiry into Chinese Electric Vehicle imports,

*The Chinese economy to expand by 5.0% in 2023, and 4.2% in 2024*

<sup>1</sup> The Eurozone (Euro Area) makes up 19 of the 28 European Union states. E.U. policy decision affects all Euro Area states.

potentially leading to tariff measures and escalating global trade tensions. These concerns stem from China's considerable presence in the Electric Vehicle market, buoyed by its exclusive state-sponsored subsidies. As a result, the Chinese economy is anticipated to grow at a rate of 5.0 per cent in 2023, followed by a 4.2 per cent growth projection for 2024.

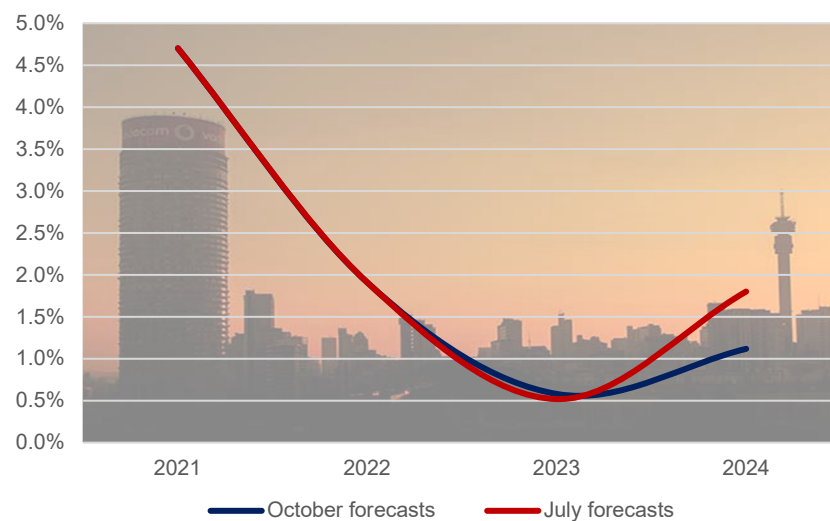
## ■ Developments and outlook for the South African economy



South Africa, positioned as the foremost African economy boasting a resilient banking system and a flourishing tech sector, is poised to maintain its status as a significant business hub, even in the face of challenges such as high unemployment and inequality. On the upside, there are indications that the repo rate may be nearing the end of its hiking cycle, which could lend support to the economy.

However, the nation grapples with additional challenges, including electricity shortages, inflexible labour laws, restrictive procurement and supplier regulations, and logistical hurdles. Despite these obstacles, there is a silver lining as opportunities for public-private partnerships are on the rise.

**Figure 1.2 GDP growth and projected growth for South Africa, 2021 – 2024**



Source: Quantec

South Africa's economy projected to expand by 0.6% in 2023 and 1.1% in 2024

South Africa's 2023 economic growth rate has been revised upward by 0.1 percentage points from the July forecast to 0.6 per cent in October. The slight improvement in expected economic performance for 2023 can mainly be attributed to the recent reduction in power outages in South Africa. However, power outages are expected to persist for at least the next five years and will largely contribute to subdued growth expectations for 2024 at 1.1 per cent.

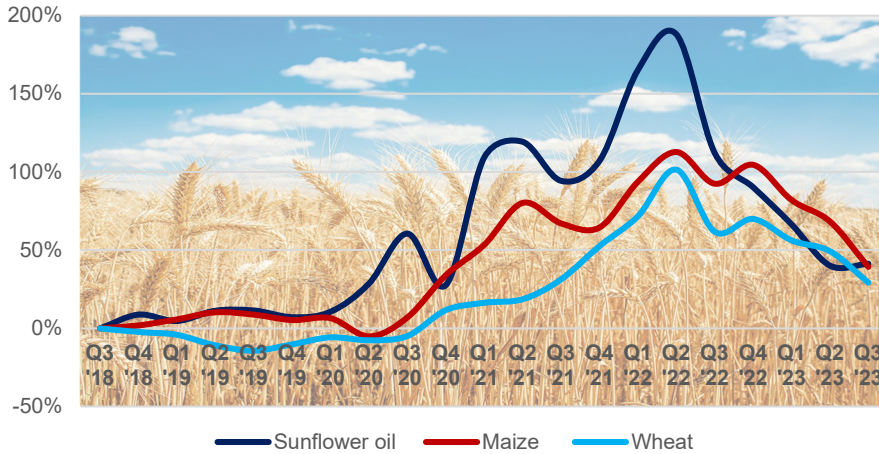


The growth outlook for the **Agriculture sector** in 2023 has deteriorated by 0.6 percentage points from the July forecast to -0.8 per cent in the October forecast. This decline can be primarily ascribed to falling commodity prices and market access concerns associated with the European Union's

imposition of stricter phytosanitary regulations. The Sector is at risk due to ongoing power cuts, transportation problems, rising costs, flooding, and avian influenza's impact on the poultry industry. Furthermore, the El Niño-Southern Oscillation (ENSO) is currently in an El Niño state and is predicted to persist through most of the summer months. ENSO typically brings drier and warmer conditions to Southern Africa during the summer seasons from October to March which will have a detrimental impact on the Agriculture sector.

*An El-Niño state will cause drier and warmer conditions in southern Africa*

**Figure 1.3 Cumulative growth in world agriculture commodities prices in USD, 3Q2018 - 3Q2023**

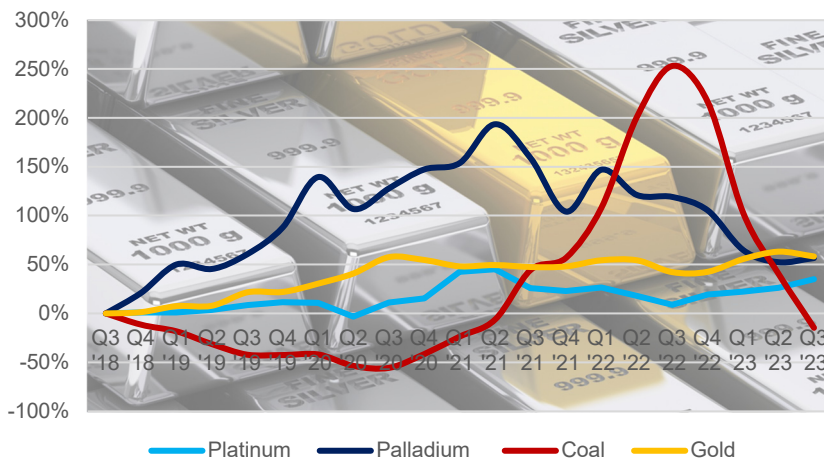


Source: Economic Intelligence Unit

Declining October projections in the **Mining sector** for 2023 reflect declining commodity prices, continued logistical issues, electricity supply challenges, and labour disputes, partially offset by a depreciating local currency. Weaker demand from China may dampen export prices. Sluggish growth is projected over the medium term as commodity prices stabilise and transportation issues impede South Africa's export potential. The Sector's outlook deteriorated by 4.6 percentage points to a contraction of -2.4 per cent expected in 2023.

*The Mining sector's outlook for 2023 deteriorated by 4.6 percentage points*

**Figure 1.4 Cumulative growth in world mining commodities prices in USD, 3Q2018 - 3Q2023**

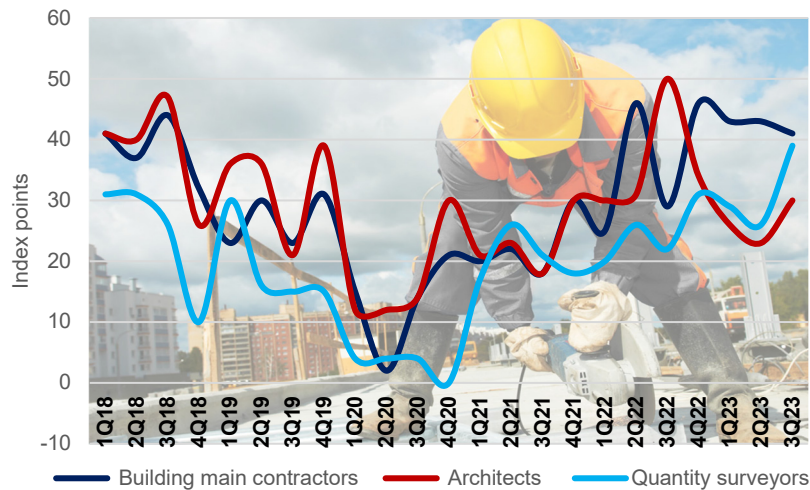


Source: Economic Intelligence Unit

Construction sector expected to expand by 1.6% in 2023

After six years of consecutive contractions, the **Construction sector** outlook received an upward revision of 5.1 percentage points from the July forecast to an expected 1.6 per cent expansion in 2023. The Sector displays indications of improvement, but activity is far from pre-pandemic levels. The positive outlook is grounded in increased sentiment, exemplified by the Architect Confidence Index's 7-point rise and the Quantity Surveyors Confidence Index's 13-point increase in the third quarter of 2023. Additionally, the potential conclusion of an interest rate hike cycle contributes to this improved sentiment.

**Figure 1.5 BER Construction sector business confidence index, 1Q2018 - 3Q2023**



Source: Quantec

**South Africa’s logistics in dire straits**

South Africa faces a severe logistics crisis that threatens its economy. The decline in Transnet's performance is staggering, with general freight tonnage plummeting to around 30% of its peak in 1983. This deterioration in the country's logistics system is deeply troubling, as the Mining sector, which accounts for 7.5% of South Africa's Gross Domestic Product (GDP) and employs nearly half a million people, relies heavily on Transnet for transporting its products.

In 2022, Roger Baxter, the former CEO of the Minerals Council, highlighted the impact of logistics constraints, estimating that the Mining sector could have created an additional 50 000 jobs and contributed approximately ZAR 27 billion (\$1.4 billion) in taxes in 2021 if these issues were resolved. However, instead, it incurred losses of ZAR 50 billion in that year alone.

The Operation Vulindlela turnaround plan seeks to address Transnet's issues by involving the Treasury in managing its debt and infrastructure renewal. However, there are political and capacity challenges ahead. Fixing Transnet is a complex but necessary task that demands political will.

Source: Bloomberg

The Utilities sector is expected to contract by 0.2% in 2023

After a contraction of -1.8 per cent in the previous year, the 2023 prospects for the **Utilities sector** received a downward revision of 0.7 percentage points in the October outlook. The Sector is expected to contract by 0.2 per cent in 2023, based on severe electricity shortages. The expected contraction is due to an unprecedented amount of loadshedding

experienced in 2023. By early May 2023, South Africa's loadshedding exceeded loadshedding for the entire calendar year of 2022.

### Power to the People: The Rise of Rooftop Solar in South Africa

South African households and businesses are increasingly opting for more affordable solar energy solutions, leading to a significant shift away from Eskom. Data indicates that revenue from electricity sales by Eskom and municipalities is declining due to a surge in rooftop solar installations.

Eskom reported a substantial rise in installed solar rooftop PV in South Africa, soaring from 983 MW in March 2023 to 4 412 MW in June 2023, marking a 349% increase. This surge in solar rooftop PV has lessened Eskom's daytime load, resulting in reduced load-shedding and more available energy for Eskom's infrastructure.

While this shift benefits consumers by lowering their electricity costs, it poses financial challenges for Eskom and municipalities heavily reliant on electricity revenue. The South African Local Government Association (Salga) has warned that government solar tax incentives are exacerbating the situation by encouraging more solar installations, and thereby diverting revenue from municipalities.

Source: *DailyInvestor.com*

The **Trade sector** is expected to expand by 0.6 per cent in 2023, an improvement of 1.0 percentage points from the July 2023 forecast. The improved growth outlook is based on an expected halt in repo rate hikes which will boost disposable income.

The **Transport sector** is expected to grow by 1.6 per cent in 2023 and 2.2 per cent in 2024. The Sector faces challenges arising from ageing infrastructure that no longer aligns with current demands, as well as railway inefficiencies that divert cargo to roads, leading to increased road wear and traffic congestion. Moreover, fluctuating oil prices and currency fluctuations introduce unpredictability into transport costs, which, in turn, affects pricing models.

*Transport sector faces challenges in ageing infrastructure*

Efficiently exporting goods and importing resources is crucial for South Africa to deepen its global trade and enhance its economic prosperity. Between 2012 and 2021, growth in container traffic at ports in South Africa expanded marginally by 1 per cent compared to significantly higher growth of container traffic in the world (35 per cent).



**Figure 1.6 Growth in container traffic at ports, South Africa vs the world, 2012 - 2021**



Source: *Quantec*



*South African ports ranked among the worst performers in 2022*

Despite the relatively low growth in container traffic at South African ports, a World Bank report<sup>2</sup> ranked South African ports among the worst performing in the world in 2022. Ports and terminals, especially those handling containers, are often the primary culprits behind shipment delays, disruptions in the supply chain, increased expenses, and a decrease in competitiveness.

#### **Enhancing Efficiency: Logistics Group's Bold Move in Saldanha Bay**

The Logistics Group, a subsidiary of Old Mutual Ltd.'s African Infrastructure Investment Managers, recognised an opportunity to enhance productivity by constructing the Saldanha Dry Bulk Terminal. According to CEO Anton Potgieter the new facility can handle 100 tons per wagon, a significant increase from the 63 tons that the existing operations in the region can manage. The company boldly undertook the project, which cost R200 million (\$11 million), including the purchase of land and construction of a warehouse capable of accommodating trains, even before securing any contracts.

Transnet, the state company, has seen its coal deliveries drop to a record low, while its manganese volume has risen slightly to 14.6 million tons in the 2023 fiscal year. To address its financial issues, Transnet is seeking a government bailout, implementing structural changes, and encouraging more private investment. The Logistics Group's proposal for the Saldanha facility, which could reduce the number of required trains once operational, has been positively received by Transnet, according to Potgieter.

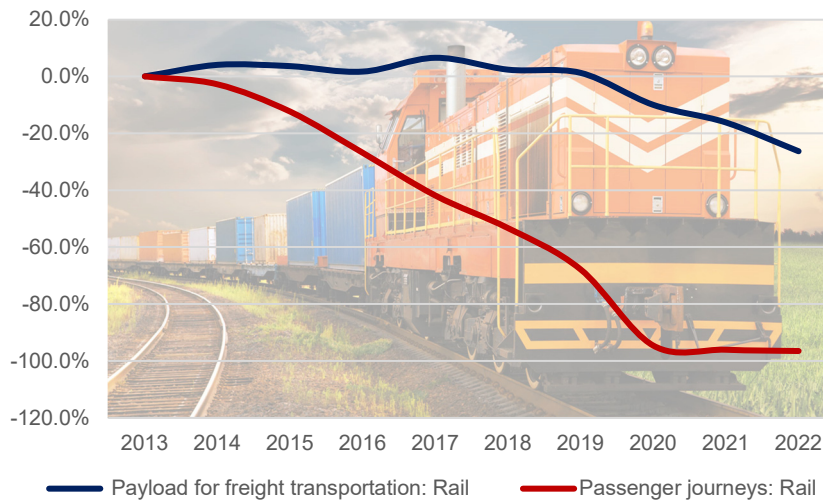
*Source: Bloomberg*

Railways play a crucial role in an economy, serving as the backbone of transport for goods and people. They facilitate trade, connect industries, and link consumers to markets.

*Rail passenger journeys declined by 96.5% in the past decade*

Between 2013 and 2022, both freight and passenger transportation have been in decline in South Africa. The number of passenger journeys declined by a staggering 96.5 per cent, while the payload for rail freight transportation declined by 26.2 per cent.

<sup>2</sup> The Container Port Performance Index 2022: A Comparable Assessment of Performance based on Vessel Time in Port

**Figure 1.7 Rail transport growth in South Africa, 2013 - 2022**

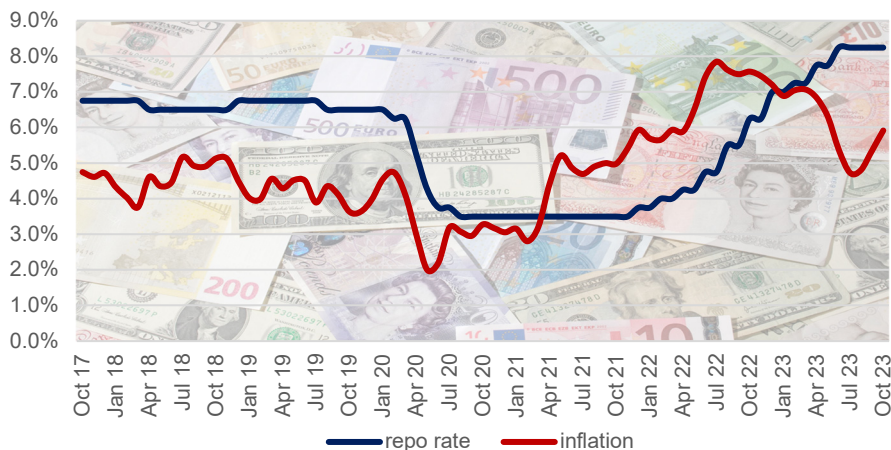
Source: Quantec, own calculations

In the last five years, the **Finance sector** has primarily underpinned South Africa's GDP growth. It has demonstrated remarkable stability and resilience in the face of global financial market volatility. However, as economic growth remains sluggish, risks are mounting for both consumers and major corporations. A critical vulnerability lies in the non-financial sector's debt, which could be exposed to economic growth setbacks, increased spending, or rising borrowing expenses. The Sector is expected to achieve the highest growth rate of 2.8 per cent in 2023, with a further expansion of 2.9 per cent anticipated in 2024.

The Finance sector is expected to grow at 2.8% in 2023

## Inflation

The South African Reserve Bank (SARB) has kept the repo rate steady at 8.25 per cent since May 2023, a 14-year high, while inflation reached its lowest level for the year in July 2023 at 4.7 per cent, well within the SARB's official inflation target. However, inflation has since picked up steam and increased to 5.9 per cent in October 2023, pointing to possible repo rate increases in the coming months, should the rising inflation trend continue.

**Figure 1.8 Repo rate and inflation for South Africa, Oct 2017 - Oct 2023**

Source: Quantec

### Labour dynamics

South Africa's labour landscape is multifaceted, marked by historical influences, economic complexities, and evolving labour policies. It grapples with high unemployment, inequality, labour disputes, and the challenge of harmonising workers' rights with economic growth. The labour market's dynamics impact employment, social justice, and economic stability.

18.2% of new labour force entrants found employment the past five years



South Africa is currently amid an unemployment crisis. During the past five years, an additional 2.004 million people entered the labour force, while employment increased by only 364 707 people or 18.2 per cent of new labour force entrants.

As a result, unemployment numbers (26.4 per cent) increased significantly faster than labour force (8.9 per cent) and employment growth (2.2 per cent), while the narrow unemployment rate increased by 4.4 percentage points from the 3<sup>rd</sup> quarter of 2018 to 31.9 per cent in the 3<sup>rd</sup> quarter of 2023.

**Figure 1.9 Growth for selected labour indicators in South Africa, 3Q2018 - 3Q2023**



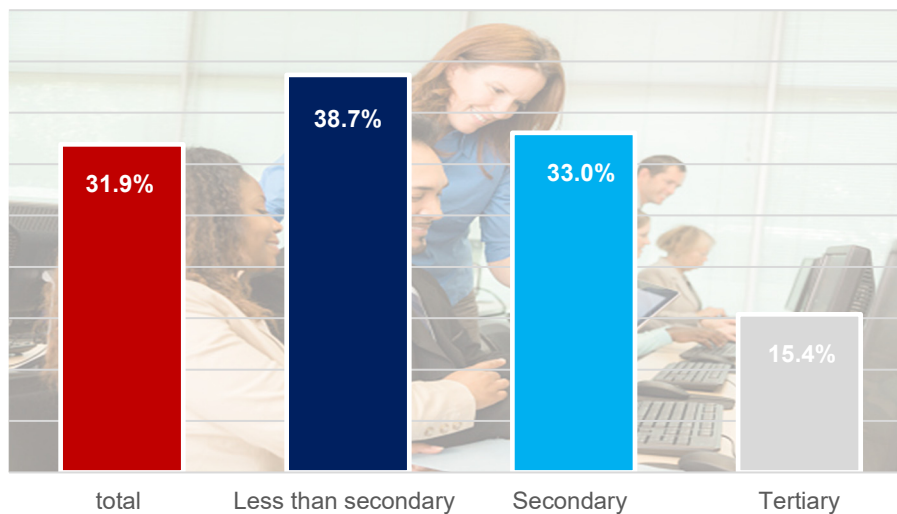
Source: Quantec, own calculations

South Africa's youth is disproportionately affected by the crisis. Over the same period, the youth represented 23.2 per cent of total labour force growth but lost 3.0 per cent of its employment opportunities. As a result, the youth unemployment rate increased by 4.5 percentage points to 43.4 per cent in the 3<sup>rd</sup> quarter of 2023.

Youth unemployment rate at 43.4% in the 3<sup>rd</sup> quarter of 2023

Access to quality education plays a vital role in empowering individuals and increasing their opportunities to secure meaningful employment, ultimately contributing to personal growth and socioeconomic development.

**Figure 1.10 South African unemployment rate per education cohort 3Q2023**



Source: Quantec, own calculations

During the past five years, employment gains were only recorded among the tertiary (14.6 per cent) and secondary education cohorts (16.2 per cent), while significant losses were observed in the lower than secondary education cohort (-13.7 per cent).

The positive impact of education on employability is evident when analysing unemployment rates across different education levels. In the 3<sup>rd</sup> quarter of 2023, the unemployment rate for individuals with tertiary education (15.4 per cent) was substantially lower than for those with lower educational qualifications.

## ■ The Western Cape Economic Outlook

After expanding by 2.6 per cent in 2022, economic growth in the Western Cape is expected to slow down to 0.9 per cent in 2023 and 1.5 per cent in 2024. The slower growth prospects are mainly due to unprecedented electricity shortages in 2023. The marginal outperformance of the Western Cape to the national economy can largely be attributed to strong expected growth in the Finance sector (2.8 per cent) in 2023, combined with the relative prominence of the Sector when compared to the South African economy (6.8 percentage points).

*The Western Cape economy is expected to slow down to 0.9% in 2023 and 1.5% in 2024*

**Table 1.2 Western Cape Economic Outlook, 2023 - 2024<sup>3</sup>**

Sector	Forecast (October)			Difference from July forecast		GDP share difference WC-SA, 2022
	2022	2023	2024	2023	2024	
Agriculture	2.3%	-0.8%	3.3%	-0.6%	0.7%	1.3% points
Mining	-16.9%	-5.9%	1.9%	-7.5%	-0.4%	-4.8% points
Manufacturing	-0.5%	-1.2%	-2.0%	-0.3%	-1.5%	1.6% points
Utilities	-1.7%	-0.4%	1.0%	-1.5%	-0.9%	-0.5% points
Construction	-3.9%	1.6%	0.5%	3.8%	-1.8%	1.1% points
Trade	4.3%	0.6%	0.9%	1.1%	-0.9%	0.8% points
Transport	9.9%	1.6%	3.2%	0.1%	-0.5%	2.1% points
Finance	3.2%	2.8%	3.0%	0.1%	-0.2%	6.8% points
Government	0.1%	-1.4%	-0.1%	0.9%	-1.5%	-2.9% points
Community Services	1.5%	0.3%	1.6%	-0.1%	-0.6%	-5.5% points
<b>Total</b>	<b>2.6%</b>	<b>0.9%</b>	<b>1.5%</b>	<b>0.4%</b>	<b>-0.6%</b>	

Source: Quantec

Furthermore, the expected contractions in the Mining sector also contributes significantly to the outperformance in growth expectations between the Province and the national economy. The Mining sector's contribution to total GDP is 4.8 percentage points more to the national economy than the Western Cape.



The Manufacturing sector is expected to continue to contract in 2023 and 2024 due to weak economic conditions, logistics and electricity challenges

The contraction in the Manufacturing sector in 2022 is expected to continue in 2023 and 2024 based on an underlying weaker economy as well as logistical and electricity supply challenges that are expected over the medium term. Between 2013 and 2022 the Manufacturing sector contracted by 2.6 per cent. According to a recent Investec report, the biggest reason for South Africa's underutilisation of Manufacturing capacity is a lack of demand in local products, which is often pricier than imported substitutes.

**Figure 1.11 BER Composite Business Confidence Index for the Western Cape, 3Q2018 - 3Q2023**



Source: BER

<sup>3</sup> Several new data releases and structural changes to the industry detail as well as a new set of provincial GDP estimations released by Stats SA have been incorporated into the forecast and have resulted in some changes to the historical values in the dataset as well as forecasted values which are more reflective of the new benchmarking exercises.

As a leading indicator to economic growth the business confidence in the Western Cape has been in a declining trend since the 1<sup>st</sup> quarter of 2022. The deterioration in business confidence can mainly be attributed to rising repo rates and continued and escalating loadshedding. In the 3<sup>rd</sup> quarter of 2023, the BER Business Confidence Index was 35 points, meaning that 35 per cent of companies surveyed were optimistic about future business prospects. The marginal uptick in the latest Business Confidence Index (BCI) could potentially point to a relatively stronger GDP performance in the 3<sup>rd</sup> quarter of 2023.

*Business Confidence Index for the Western Cape improved marginally in 3<sup>rd</sup> quarter of 2023*

## Census 2022

A growing population can boost economic growth by expanding the labour force and increasing consumption. However, it also places greater demands on social services like healthcare, education, and infrastructure, requiring a policy balance between economic development and service provision.

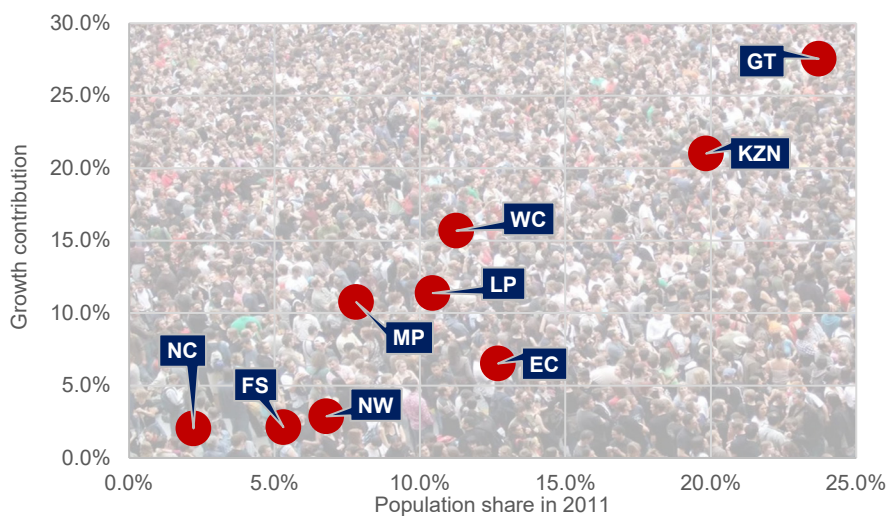
In the 2022 Census, it was revealed that the population of the Western Cape had surged to 7.433 million, marking a remarkable growth of 1.610 million individuals, or 27.7 per cent, since 2011. This also indicates that the 2022 mid-year population estimates were underestimated by 220 877 people, which equates to a 3.1 per cent underestimation. In comparison, South Africa's population expanded on average by 1.7 per cent per annum to 62.028 million people.

*The Western Cape population surged to 7.433 million in 2022*

Five provinces' population growth contributions between 2011 and 2023 exceeded its population share in 2011. The Western Cape (4.5 percentage points) had the largest differential, followed by Gauteng (3.9 per cent) and Mapumalanga (3.0 per cent), meaning that the Western Cape made the largest impact on the national population growth if the relative size of its population is taken into account.



**Figure 1.12 Population share in 2011, and growth contribution, per province**



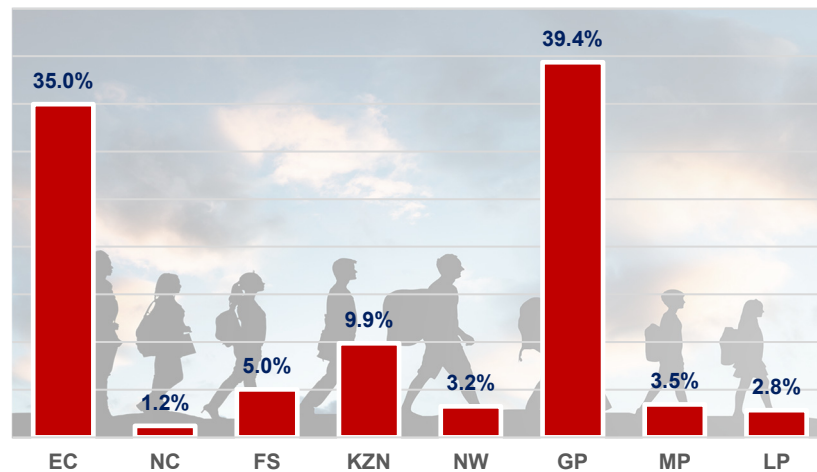
Source: Quantec, own calculations

The Provinces with the highest population growth rates was the Western Cape (27.7 per cent), Mpumalanga (27.3 per cent) and Gauteng (23.0 per cent).

Between 2011 and 2022, the Western Cape had a net in-migration of 294 029 people which contributed 18.3 per cent of the Province's total population growth. The largest sources of net in-migration among provinces were Gauteng (39.4 per cent), Eastern Cape (35 per cent) and KwaZulu-Natal (9.9 per cent).

Net in-migration contributed 18.3% of WC total population growth

**Figure 1.13 Share of migration sources among provinces to the Western Cape, 2011 - 2022**



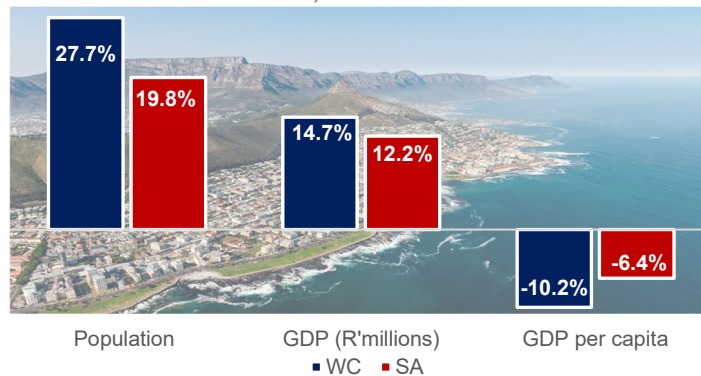
Source: StatsSA, own calculations

The Western Cape economy grew by 1.2% per annum the past decade

The latest census data highlights an average annual population growth rate of 2.2 per cent between 2011 and 2022. During the same period, the Western Cape's economy experienced an estimated expansion of 1.2 per cent per annum. Consequently, the GDP per capita witnessed a decline of 10.4 per cent, dropping from R98 045 in 2011 to R87 880 in 2022.

**Figure 1.14 Growth in population, GDP and GDP per capita for South Africa and the Western Cape, 2011 - 2022**

Population, GDP and GDP per capita growth, SA vs WC, 2011-2022



Source: Census 2022, Quantec

## Trade

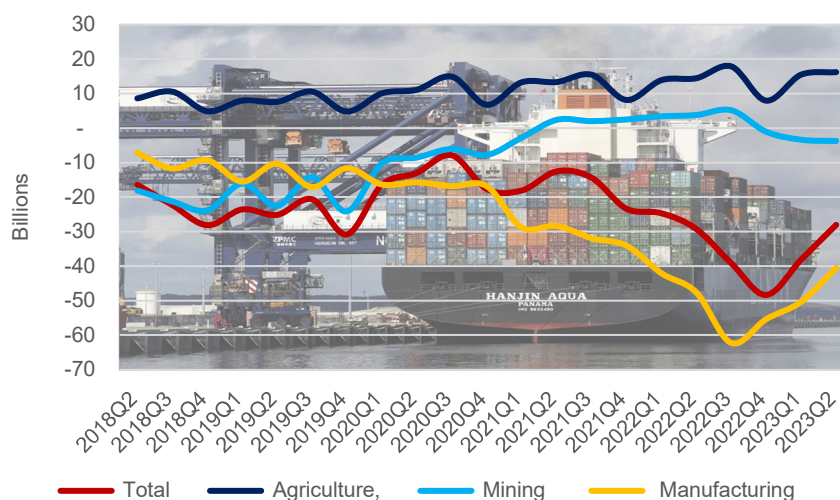
Between the 2<sup>nd</sup> quarters of 2018 and 2023, the Western Cape consistently ran a nominal trade deficit. The Manufacturing sector's contribution to the trade deficit is substantial and exceeds the Province's total trade deficit by 45 per cent. Furthermore, the Manufacturing sector is responsible for 86.9 per cent of total imports to the Western Cape.

*The Manufacturing sector is responsible for 86.9% of total imports to the Western Cape*

Over the period, the Agriculture sector constantly recorded a nominal trade surplus, and contributed 33.6 per cent of total exports for the Province and 49 per cent of all agriculture exports for South Africa in the 2<sup>nd</sup> quarter of 2023.



**Figure 1.15 Net exports per sector from the Western Cape, 2Q2018 - 2Q2023**



Source: Quantec

In the 2<sup>nd</sup> quarter of 2023, the trade deficit of the Manufacturing sector was 2.5 times larger than the trade surplus of the Agriculture sector. To improve the current trade deficit, the Manufacturing sector will need to enhance its international competitiveness and productivity.

### The Manufacturing sector's productivity conundrum

According to the World Bank, the lack of competitiveness of the South African Manufacturing sector can be linked to stagnant labour productivity since 2011, while wages continue to rise. This results in firms having to pay more for the same output, which is unsustainable and can hasten premature de-industrialization, which is exacerbating job losses.

This situation is particularly problematic for South Africa, where job creation, especially for unskilled youth, is a pressing concern. Traditionally, globally traded goods, often manufactured products, drive productivity gains, elevating wages in both traded and non-traded sectors. However, when productivity growth occurs predominantly in non-traded sectors, it can lead to a disconnection between wages and productivity, causing unit labour costs to surge in sectors like Manufacturing.

The World Bank believes that a more open economy to international trade and improved education outcomes could increase productivity levels in the long run.

Source: World Bank, Hanush, M., 2017.



## Investment

Capital stock investment encompasses a company's procurement of assets like real estate, manufacturing facilities, machinery, computers, vehicles, and production equipment. It often serves as the determining factor in whether an economy enjoys robust growth or stagnates with a lacklustre expansion rate.

*Between 2013 and 2022, total real capital stock in the Western Cape increased by 13.3%*

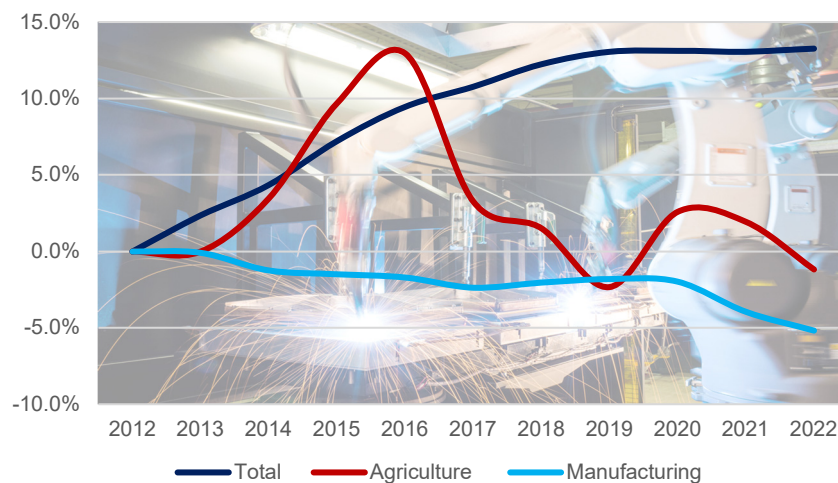
Between 2013 and 2022, total real capital stock in the Western Cape increased by 13.3 per cent. However, in tradeable sectors such as Manufacturing and Agriculture, capital stock declined by 5.2 and 1.2 per cent respectively.

Within the Manufacturing sector in the Western Cape, investment in machines and equipment declined substantially (-26.5 per cent), against a total expansion of machinery and equipment (6.3 per cent) over the same period (2013 - 2022).

Machines and equipment can significantly enhance productivity, but investments in these resources are primarily driven by the demand for manufactured products. This demand is crucial for achieving economies of scale necessary to maintain sustainable profit margins. For example, in 2018, China as the global leader in steel manufacturing produced 928 million tonnes of crude steel compared to 6 million tonnes produced in South Africa. Other challenges facing the Manufacturing sector include power outages, unreliable transport infrastructure and high input costs, (Adcorp, 2021).



**Figure 1.16 Growth in real capital stock in the Western Cape, 2013 – 2022**

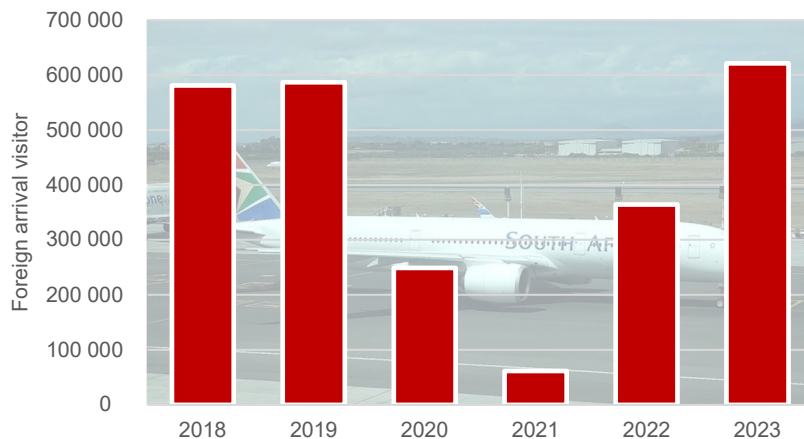


Source: Quantec

## Tourism

The upcoming summer tourism season is poised for an extraordinary surge in activity. Encouraging forecasts suggest that Cape Town International Airport (CTIA) is preparing to boost its inbound flight seat capacity by a remarkable 25 per cent when compared to the prior year, marking the first time it surpasses 1 million inbound international seats.

**Figure 1.17** Number of foreign overnight visitors at Cape Town International airport for first 9 months, 2018 - 2023



Source: Quantec

The number of foreign overnight visitors in the first 9 months of 2023 were the highest in the last six years, and 70.6 per cent more than the same period in the previous year. The growing number of tourists is expected to have a significant impact on the local economy.

Cape Town Air Access reported that the arrival of 605 000 foreign passengers in 2022 contributed a substantial R24.3 billion to the Western Cape economy, underscoring the significant economic impact of air travel on the local economy.

Furthermore, the Cape Town Cruise Terminal hosted 70 cruise ship calls, carrying 145 000 two-way passengers and 42,000 crew members between November 2022 and May 2023, marking the most substantial cruise season the passenger terminal has experienced. The cruise season injected over R1.2 billion into the Western Cape economy, (Wesgro, 2023).

## Labour

While the Western Cape has achieved notable progress in reducing its overall unemployment rate, the challenges of youth unemployment, and the specific employment prospects for African youth, continue to pose significant hurdles.

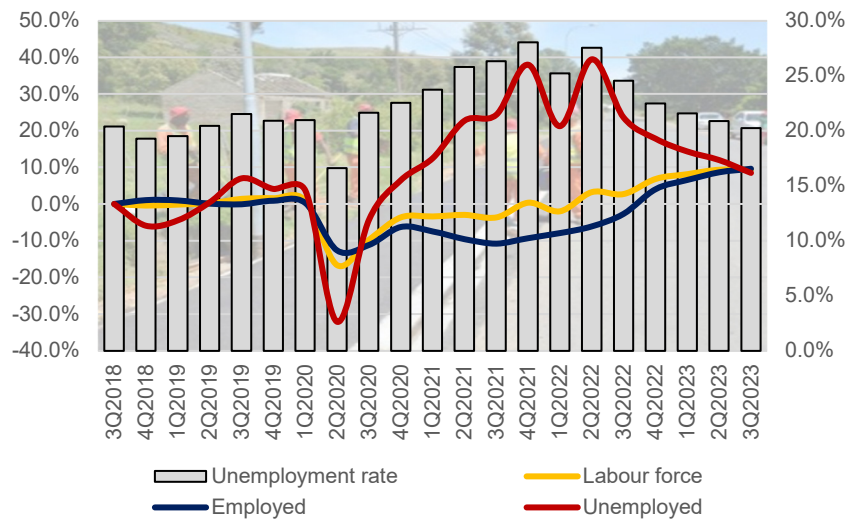
Over the past five years the Western Cape labour force expanded (9.4 per cent) at more or less the same rate as employment (9.6 per cent) and unemployment (8.5 per cent).

*CT international airport received the most foreign overnight visitors in 6 years*



*Over the 5 past years the WC labour force expansion was similar to employment and unemployment*

**Figure 1.18 Growth in the labour force, employment and unemployment in the Western Cape, 3Q2018 - 3Q2023**



Source: Quantec, own calculations

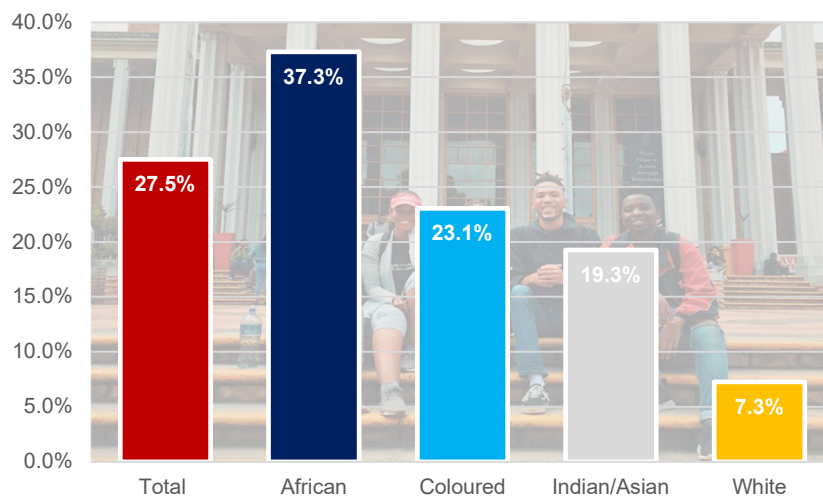
WC unemployment rate, standing at 20.2% in the 3<sup>rd</sup> quarter 2023

Considerable progress has been made since the 4<sup>th</sup> quarter of 2021, resulting in a remarkable 7.8 percentage point drop in the unemployment rate, now standing at 20.2 per cent in the 3<sup>rd</sup> quarter of 2023. Despite this progress, youth unemployment remains notably elevated.

In the 3<sup>rd</sup> quarter of 2023, the unemployment rate among youth (15 – 34 years) in the Western Cape was 27.5 per cent, or 2.8 percentage points lower than five years ago. The youth unemployment rate among population groups differs substantially with Africans having the highest unemployment rate (37.3 per cent) followed by the Coloured (23.1 per cent) and Indian/Asian (19.3 per cent) population groups. Youth among the White population group have the lowest unemployment rate (7.3 per cent) in the Province.



**Figure 1.19 Youth unemployment rate per population group in the Western Cape, 3Q2018 - 3Q2023**



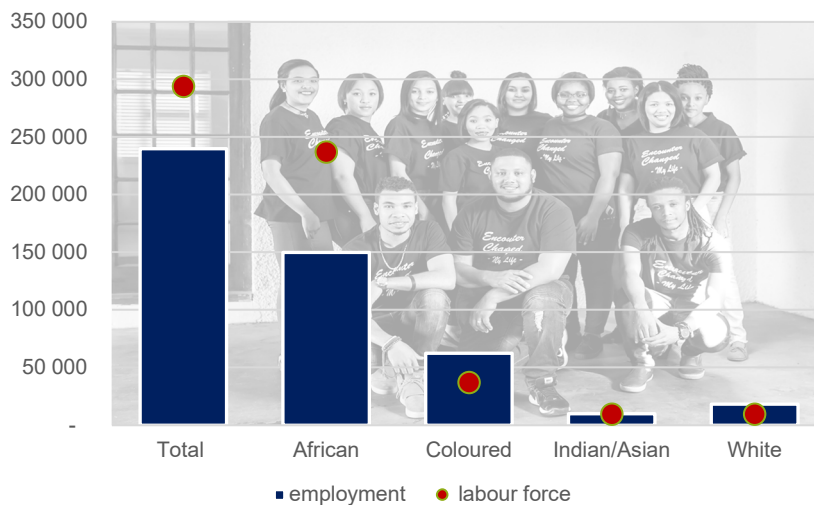
Source: Quantec, own calculations

Since the 3<sup>rd</sup> quarter of 2018, the youth in the Western Cape gained 239 724 employment opportunities, against a labour force growth of 294 204 people. This means that 81.5 per cent of all new labour force entrants among the youth could technically find employment opportunities during this period.

*Since the 3<sup>rd</sup> quarter of 2018, the youth in the Western Cape gained 239 724 employment opportunities*

The uptake of the additional labour force into employment opportunities was notably weaker among the African population group, which contributed 80.7 per cent to the total labour force growth, against a relatively smaller contribution of 62.6 per cent in total employment growth.

**Figure 1.20 Growth in the labour force and employment in the Western Cape, 3Q2018 - 3Q2023**



Source: Quantec, own calculations

## Evidence-based policy making in the Western Cape government

The Western Cape Government publishes an annual Provincial Economic Review and Outlook (PERO) ahead of the Medium Term Budget Policy Statement, supporting evidence-based policy making in the Province.

The 2023 PERO tracks key statistics in the Jobs, Safety and Wellbeing focus areas of the Provincial Strategic Implementation Plan. These metrics inform the budget policy priorities.

The key findings of the PERO are summarised in Annexure A.

A complementary publication, the 2023 Municipal Economic Review and Outlook, tracks Jobs, Safety and Wellbeing in the Metro and five district municipalities.

*The Western Cape PERO and MERO are important statistical publications that inform the budget policy priorities*

## **Annexure A: 2023 Provincial Economic Review and Outlook Socio-economic summary**

Population changes not only affect the scale but also the type of government services. The Western Cape has seen the largest increase in elderly population, 1.1 percentage points more than in 2014. This demographic shift, especially in provinces with a growing elderly population, will impact the healthcare system. The expected rise in chronic diseases and complex medical conditions among the elderly will significantly increase the demand for adult primary care and specialised medical services.

The transition to a relatively older population in the Western Cape will require an adequate number of trained medical professionals. Over the past decade, the Western Cape has seen slight growth in the number of public employed doctors per 100 000 people, from 43.4 in 2013/14 to 45.9 in 2022/23. The improvement can be attributed to an additional 725 doctors employed at public healthcare facilities over the period, an expansion of 27.8 per cent.

However, over the same period the growth in public employed nurses did not keep up with the population growth in the Western Cape. The number of public employed nurses per 100 000 people declined markedly from 204.6 in 2013/14 to 191.4 in 2022/23. Over the period, the growth in the population of the Western Cape (20 per cent) exceeded the growth in the number of public employed nurses (12.4 per cent).

Although the Province lost ground in its nurse to population ratio in recent years, it managed to drastically reduce the number of public healthcare facility visits (-23.1 per cent), and the hospital patient day equivalent (-9.4 per cent) visits from levels reached in 2019/20, through an innovative framework of community-oriented primary care (COPC) that focused on outreach programmes and efficient medicine delivery. The services included home delivery of chronic medication and tele-healthcare which led to the reduction of healthcare facility visits.

Depression and suicides have become more common in recent years. In 2021/22 and 2022/23, the Western Cape experienced an unprecedented surge of psychiatric admissions to public health facilities, accounting for a substantial 45.9 per cent of admission growth over the past decade. Similarly, suicides increased significantly by 82.3 per cent since 2019/20.

The extent of the expected growing population as well as the comparative advantage that education brings to employability, makes investment into education resources essential in supporting the economic potential of the Province.

Over the last decade, the Western Cape has seen a net decline of 0.5 per cent in the number of schools alongside a substantial 17.8 per cent increase in the number of students. This trend calls for investment in the

education infrastructure and expansion of schools, coupled with the recruitment and training of additional teachers.

Poverty and learner-teacher ratio's remains significant factors influencing academic performance. Education districts in the Western Cape with higher poverty levels, as indicated by a greater proportion of no-fee schools, tend to exhibit lower pass rates, while the Western Cape education districts in 2022, depicts a negative correlation (-0.48) is observed between the learner-teacher ratio (class size) and the bachelor's pass rate (academic performance).

A growing population brought on by rapid net in-migration had led to growing informal dwellings in the Province. In 2021, the Western Cape had a higher portion of informal dwellings compared to the rest of South Africa. Furthermore, between 2012 and 2021, the portion of informal dwellings in the Western Cape increased by 0.8 percentage points to reach 19.1 per cent of total dwellings in 2021.

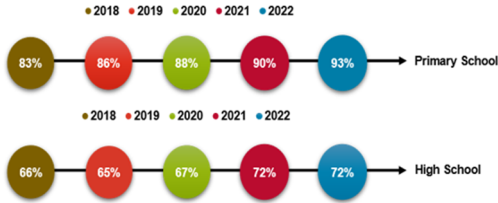
The scale of low-cost housing demand and limited fiscal resources will necessitate market related housing solutions. Between 2014 and 2023, the total registered housing demand in the Western Cape increased by 267 117, or 76 per cent, reaching 618 765 in 2023, whilst between 2014/15 and 2021/22 the number of houses built (-52.4 per cent) and sites serviced (-76.5 per cent) declined substantially. This decline has been partially attributed to factors such as poor contractor performance, community disruptions, construction cartels, and budget constraints.

Crime trends in the Western Cape show mixed results. When comparing crime rates per capita in the Western Cape to the rest of South Africa over the past decade, we observe significant progress in reducing Driving under the influence of alcohol or drugs, with the ratio declining from 1.9 in 2012/13 to 1.1 in 2021/22. However, the relative incidence of Robbery at residential premises increased in the Western Cape, with the ratio rising from 0.8 in 2012/13 to 1.0 in 2021/22.

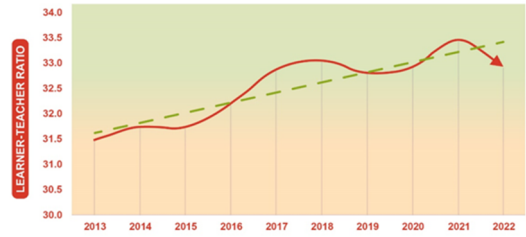
Focused provincial safety interventions in crime hotspot areas are yielding positive returns. An average hotspot to Western Cape crime ratio comparison between thirteen quarters of LEAP implementation and thirteen quarters prior to LEAP shows a decline in Murder (-3.3 percentage points) and Sexual offences (-0.2 percentage points). This means that, on average, crime in Murder and Sexual offences improved relative to the Province after implementing LEAP.

# Education

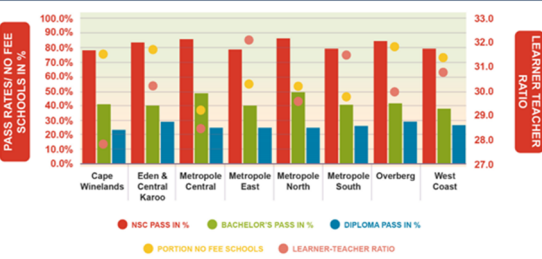
**Retention Rate in Primary and High School in the Western Cape, 2018 - 2022**



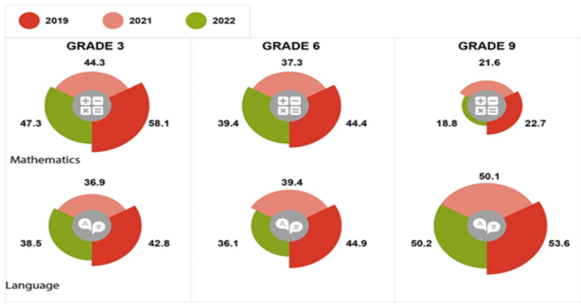
**Learner-Teacher Ratio in the Western Cape, 2013 - 2022**



**NSC and B Degree Pass Rates; Portion of No Fee Schools; and Learner-Teacher Ratio per Western Cape Education District, 2022**

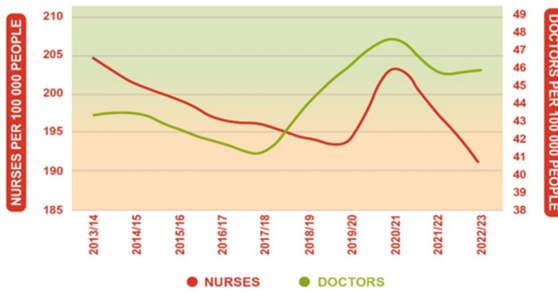


**Systemic Test Results in the Western Cape, 2019 - 2022**

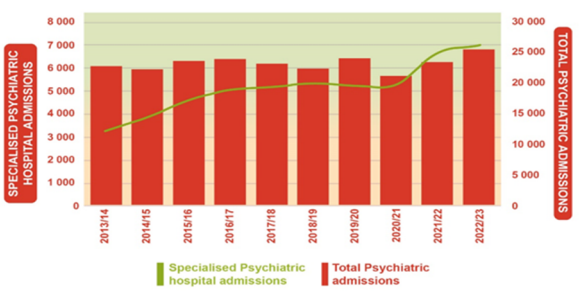


# Health

**Number of Public Employed Doctors and Nurses per 100 000 People in the Western Cape, 2013/14 – 2022/23**



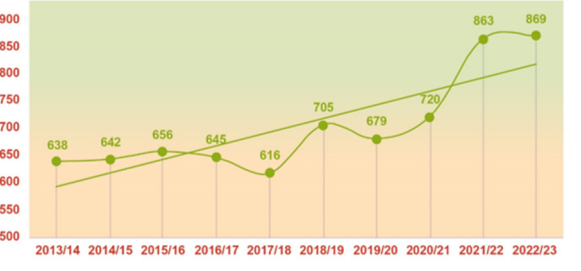
**Total Psychiatric Admissions and Specialised Psychiatric Hospital Admissions in the Western Cape, 2013/14 – 2022/23**



**Top Ten Leading Causes of Death in the Western Cape, 2019**

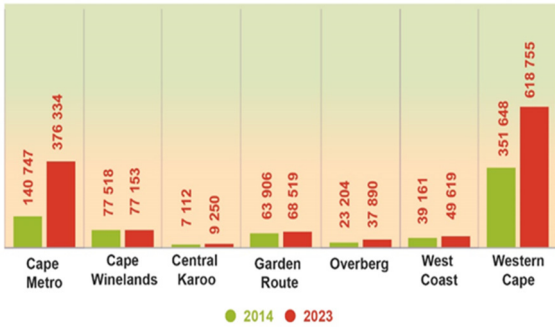


**Number of Suicides in the Western Cape, 2013/14 – 2022/23**

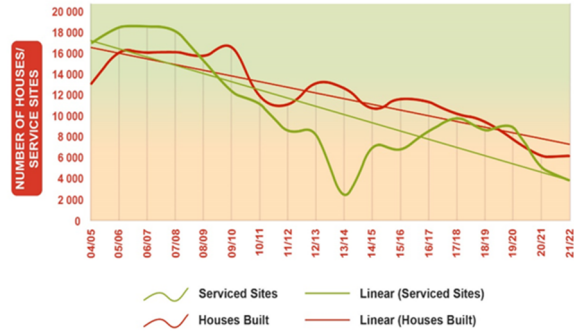


## Housing

Registered Housing Demand in the Western Cape per District, 2014 – 2023

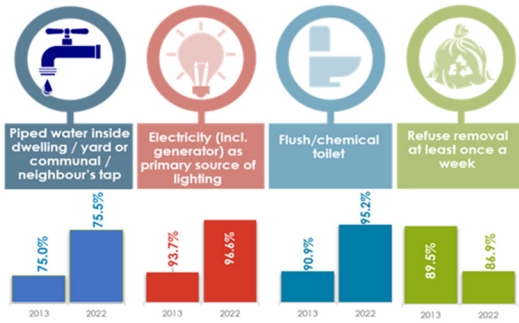


Number of Houses and Served Sites Delivered in the Western Cape, 2004/05 – 2021/22

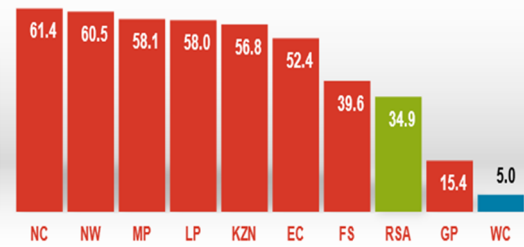


## Municipal services

Share of basic municipal services to total household dwellings in the Western Cape, 2013 and 2022

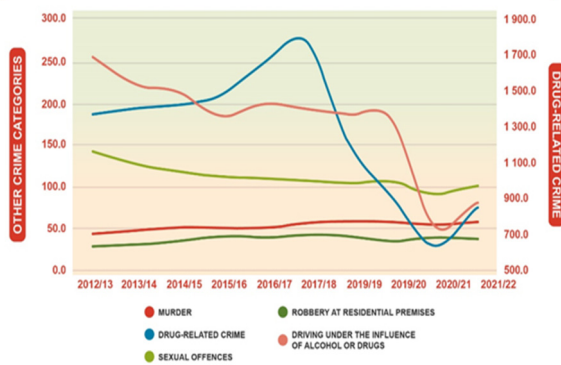


Percentage distribution of households that reported water interruptions that lasted at least two days by province, 2022

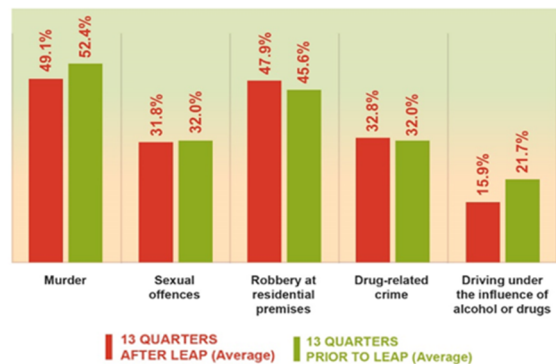


## Crime

Western Cape Crime Trends per Capita in 5 Crime Categories, 2012/13 – 2021/22



Average Share of Hotspot to Western Cape Crime in Selected Crimes, 3Q2016/2017 – 3Q2019/20 & 4Q2019/20 – 4Q2022/23





# 2

## Medium Term Fiscal Framework

### In summary

- South Africa faces sluggish economic growth, and an unprecedented fiscally constrained environment, leading to fiscal stresses on the 2024 Medium Term Expenditure Framework (MTEF).
- In response to the economic and national fiscal challenges, the Western Cape Government (WCG) reassessed its fiscal strategy. The focus of the Western Cape's 2024 MTEF is to apply fiscal consolidation measures to maintain fiscal sustainability, while responding to the liability of the unfunded wage agreement, despite fiscal headwinds.
- Although the WCG receives a reduced Provincial Equitable Share (PES), the WCG has proactively drawn down from its provincial reserves and has adopted a '**budget to build your future**', with key policy areas related to driving growth objectives, ensuring citizen safety, and safeguarding essential services.
- The WCG takes a forward-looking approach, by planning for future fiscal scenarios, exploring alternative financing, revenue-raising opportunities, and official development assistance.
- Focus is also placed on restoring provincial reserves over the medium term, emphasising the commitment of the WCG to prepare for unforeseen and unavoidable externalities, to secure a brighter future for all citizens.

### Introduction

South Africa's sluggish 2023 economic performance and uncertain medium term outlook create fiscal challenges for the 2024 national framework. In response, the Western Cape Government (WCG) has reassessed its fiscal strategy, addressing long term sustainability. Despite fiscal headwinds, the National Treasury's directive for provinces to respond to the liability of the unfunded wage agreement costs, will have an impact on the delivery of essential frontline services. Frontline departments are inherently reliant on human resources and have already experienced significant baseline reductions over the years, all while dealing with a growing demand for service delivery.

The WCG adopts a 'budget to build your future' for the Western Cape citizens, as the key policy priorities focus on driving the WCG Growth for Jobs strategy, ensuring citizen safety, and safeguarding essential services affecting the wellbeing of all citizens. While facing economic and fiscal

uncertainties, the WCG takes a forward-looking approach and has initiated a Fiscal Futures project, crafting a dynamic fiscal planning model for the Province (Chapter 3 and Chapter 4 provide further detail).

In the immediate to short-term, the WCG will focus on fiscal consolidation to ensure a sustainable fiscal pathway, while over the short to medium-term, focus will be placed on driving economic growth. For long term fiscal sustainability, the WCG will explore alternative financing, revenue-raising opportunities, official development assistance, and restore provincial reserves, a testament to the 'budget to build your future' to protect the Province against unforeseen shocks and ensure a brighter future for Western Cape citizens.

## ■ National fiscal framework

The economic growth forecast for the 2024 Medium Term Expenditure Framework (MTEF) is negatively influenced by factors such as loadshedding, lower than expected tax revenues, high inflation, increased borrowing costs, compromised rail infrastructure, inefficiencies at ports, and a challenging global economic environment. These constraints not only curtail economic growth but also hinder the government's capacity to generate revenue, especially for critical policy priorities and frontline services.

Although commodity prices have historically been robust, a recent downturn in commodity prices and higher value-added tax (VAT) refunds have resulted in a revenue deficit of R56.8 billion compared to the projected budget estimates. The negative October 2023 forecasts in the Mining sector for 2023 highlight the impact of declining commodity prices, persistent logistical and electricity supply challenges, as well as labour constraints.

Persistent budget deficits in South Africa, over an extended period, have ultimately led to increased debt service costs, placing strain on the available fiscal envelope. The growth of government debt has outpaced economic expansion, resulting in elevated debt servicing costs and, concurrently, crowding out essential spending on social welfare and basic services. For the period 2008/09 to 2022/23, gross loan debt as a percentage of GDP increased by 47.2 percentage points. Currently, the government's borrowing is not financing investments that support an environment for private sector to create jobs, but rather financing debt and debt service costs, and the social wage. Changing this pattern is key to the national government's fiscal objective.

*The 2024 MTEF is negatively affected by sluggish economic growth, compounded by structural challenges and constraints*



**Table 2.1 Consolidated government fiscal framework**

	2022/23	2023/24	2024/25	2025/26	2026/27
R billion/percentage of GDP	Outcome	Revised	Medium-term estimates		
<b>Revenue</b>	<b>1 898.2</b>	<b>1 915.5</b>	<b>2 012.6</b>	<b>2 139.3</b>	<b>2 286.5</b>
	28.2%	27.3%	27.0%	27.1%	27.2%
<b>Expenditure</b>	<b>2 145.2</b>	<b>2 262.0</b>	<b>2 352.5</b>	<b>2 473.3</b>	<b>2 588.6</b>
	31.9%	32.3%	31.6%	31.3%	30.8%
<b>Budget balance</b>	<b>(247.0)</b>	<b>(346.5)</b>	<b>(339.9)</b>	<b>(334.0)</b>	<b>(302.0)</b>
	(-3.7%)	(-4.9%)	(-4.6%)	(-4.2%)	(-3.6%)
<b>Total gross loan debt</b>	<b>4 765.4</b>	<b>5 238.0</b>	<b>5 641.3</b>	<b>6 133.4</b>	<b>6 524.9</b>
	70.9%	74.7%	75.8%	77.7%	77.5%

Source: National Treasury

Key elements of the 2024 national medium term fiscal strategy include:

- Realising a primary budget surplus in the current year where revenue exceeds non-interest spending, narrowing the budget deficit and stabilising debt.
- Stabilising growth in government debt and stopping growth in debt service costs, which will reach a peak in 2026/27.
- Protecting baseline budgets for frontline services, allowing for social and economic development spending to grow at 4.5 per cent and 6.2 per cent over the 2024 MTEF.
- Reconfiguring government functions.
- Allowing the wage bill to grow at rates lower than inflation over the medium term, while capital spending and transfers grow at an average annual growth rate of 8.4 per cent.
- Moderate revenue increases to assist with fiscal consolidation.
- Working on developing new fiscal anchors, to ensure sustainable public finances. Work on this is underway, and an update will be provided in the 2024 Budget.

*Stabilising government debt as debt service costs are expected to peak in 2026/27*



The fiscal crisis in South Africa demands an immediate focus on fostering economic growth. While a balanced fiscal stance is critical for enabling economic growth, mitigating fiscal and economic risks, and creating a conducive environment for increased private-sector investment and employment, the targets to realise such are ambitious in the current economic context.

*A balanced fiscal stance is critical for enabling economic growth*

Over the 2024 MTEF, the national fiscal framework emphasises stringent control of the public service wage bill, ensuring the protection of essential frontline services, implementing efficiency measures across government, and moderates tax revenue measures.

**Table 2.2 Main Budget framework**

R billion/percentage of GDP	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Outcome			Revised	Medium-term estimates		
<b>Main budget revenue</b>	<b>1 238.4</b>	<b>1 564.3</b>	<b>1 699.2</b>	<b>1 714.8</b>	<b>1 802.1</b>	<b>1 921.7</b>	<b>2 058.5</b>
	22.1%	24.8%	25.3%	24.5%	24.2%	24.3%	24.5%
<b>Main budget expenditure</b>	<b>1 789.0</b>	<b>1 887.3</b>	<b>2 009.2</b>	<b>2 044.9</b>	<b>2 123.7</b>	<b>2 247.2</b>	<b>2 369.2</b>
	31.9%	29.9%	29.9%	29.2%	28.5%	28.5%	28.2%
Non-interest expenditure	1 556.4	1 619.2	1 700.7	1 690.4	1 737.8	1 821.7	1 913.3
	27.7%	25.7%	25.3%	24.1%	23.3%	23.1%	22.7%
Debt-service costs	232.6	268.1	308.5	354.5	385.9	425.5	455.9
	4.1%	4.2%	4.6%	5.1%	5.2%	5.4%	5.4%
<b>Main budget balance</b>	<b>(550.6)</b>	<b>(323.0)</b>	<b>(309.9)</b>	<b>(330.1)</b>	<b>(321.6)</b>	<b>(325.5)</b>	<b>(310.7)</b>
	(9.8%)	(5.1%)	(4.6%)	(4.7%)	(4.3%)	(4.1%)	(3.7%)
<b>Primary balance</b>	<b>(318.1)</b>	<b>(54.9)</b>	<b>(1.5)</b>	<b>24.4</b>	<b>64.2</b>	<b>100.0</b>	<b>145.2</b>
	(5.7%)	(0.9%)	0.0%	0.3%	0.9%	1.3%	1.7%

Source: National Treasury

The Main budget revenue is projected to decrease to 24.5 per cent of Gross Domestic Product (GDP) in 2023/24 or R1.715 trillion to 24.2 per cent of GDP in 2024/25 mainly due to lower growth in non-tax revenue and National Revenue Fund receipts, and higher Southern African Customs Union (SACU) payments.



Gross loan debt is projected to increase from R5.238 trillion in 2023/24 to R6.524 trillion in 2026/27, an increase of R1.286 trillion. While, debt service costs are projected to grow by R14.1 billion to R354.5 billion in 2023/24 (compared to the 2023 main budget) and is expected to increase further to R455.9 billion (5.4 per cent of GDP) in 2026/27.

**Table 2.3 Revised gross tax revenue projections**

R billion	2023/24	2024/25	2025/26	2026/27
<b>2023 Budget</b>	<b>1 787.5</b>	<b>1 907.7</b>	<b>2 043.5</b>	
<i>Buoyancy</i>	1.06	1.06	1.09	
<b>Revised estimates</b>	<b>1 730.7</b>	<b>1 854.0</b>	<b>1 975.8</b>	<b>2 111.9</b>
<i>Buoyancy</i>	0.61	1.15	1.07	1.05
<b>Change since 2023 Budget</b>	<b>(56.8)</b>	<b>(53.7)</b>	<b>(67.6)</b>	

Source: National Treasury

Gross tax revenue is expected to increase below the 2023 budget estimates by R121.4 billion

Gross tax revenue is projected to increase from R1.731 trillion in 2023/24 to R2.112 trillion in 2026/27, while revenue collections are projected to be below the 2023 budget estimates by R121.4 billion collectively in 2024/25 and 2025/26.

The expected revenue outlook for the medium term is less robust than initially predicted, given lower-than-expected near-term collections and downward adjustments to growth in key tax bases. Windfall tax receipts have ceased, due to a significant contraction in commodity prices, and higher refund payments to VAT vendors are anticipated. Measures to

generate an additional R15 billion in revenue will be announced in the 2024 Budget, to facilitate fiscal consolidation while mitigating adverse economic impacts. Long term improvements in tax revenue collections hinge on achieving stronger economic growth and making further advancements in tax administration.

**Table 2.4 Consolidated budget balance**

R billion	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
		Outcome		Revised	Medium-term estimates		
Main budget	(550.5)	(323.0)	(309.9)	(330.1)	(321.6)	(325.5)	(310.7)
Social security funds	(46.7)	(3.4)	3.4	(0.9)	(2.3)	21.1	24.7
Public entities	39.8	37.6	48.2	(5.5)	(13.1)	(32.4)	(16.5)
Provinces	3.0	2.1	12.0	(9.2)	(2.1)	3.6	1.3
RDP Fund	(0.5)	(1.0)	(0.7)	(0.8)	(0.8)	(0.8)	(0.9)
<b>Consolidated budget balance</b>	<b>(555.1)</b>	<b>(287.6)</b>	<b>(247.0)</b>	<b>(346.5)</b>	<b>(339.9)</b>	<b>(334.0)</b>	<b>(302.0)</b>
<i>Percentage of GDP</i>	<i>(9.9%)</i>	<i>(4.6%)</i>	<i>(3.7%)</i>	<i>(4.9%)</i>	<i>(4.6%)</i>	<i>(4.2%)</i>	<i>(3.6%)</i>

Source: National Treasury

The anticipated trajectory indicates a decrease in the consolidated budget deficit, declining from 4.9 per cent of GDP in 2023/24 to 3.6 per cent of GDP in 2026/27. In terms of cash flows, it is projected that in aggregate public entities, social security funds, and provinces will record cash deficits in 2024/25 and 2025/26, followed by cash surpluses in 2026/27.

*The consolidated budget deficit is expected to decline from 4.9% to 3.6% from 2023/24 and 2026/27*

Fiscal risks remain elevated in the short to medium-term. The major risks to the fiscal framework include:

- Weaker than expected global and domestic economic growth trends impacting fiscal consolidation,
- Ongoing financial losses by municipalities and state-owned enterprises, increasing the risk on the fiscus for bailouts,
- Higher borrowing costs, and
- Other risks still relevant are electricity supply constraints, possible unfunded expenditure pressures, and wage pressures.

The National Government's fiscal approach to the 2024 MTEF is to promote economic growth and stabilise public finances. This involves more private sector investment and reprioritisation of resources towards supporting growth. The national fiscal framework supports restraining the public-service wage bill, while protecting frontline services and implementing efficiencies. National Government forecasts that the debt to GDP ratio will stabilise in 2025/26.



## Impact on the Provincial Fiscal Framework

The current national fiscal environment has major implications for the allocation of resources to provinces. Over the medium term, the national government allocates 48.0 per cent of the available non-interest expenditure to national departments, 42.1 per cent to provinces, and 9.9 per cent to local government.

The medium term allocations to provinces are projected to increase at an average annual growth rate of 4.4 per cent from 2024/25 to 2026/27. This growth rate is lower than the expected average inflation rate of 4.6 per cent over the same period, resulting in a real decrease of approximately 0.2 per cent in funding to provinces.

*Allocations to provinces increase on average by 4.4% a year over the MTEF*

**Table 2.5 Division of revenue framework**

R billion	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Outcome			Revised	Medium-term estimates		
<b>Division of available funds</b>							
<b>National departments</b>	<b>790.5</b>	<b>822.8</b>	<b>855.9</b>	<b>826.3</b>	<b>840.9</b>	<b>846.4</b>	<b>884.2</b>
<i>of which:</i>							
Provincial indirect grants	2.9	3.8	3.9	4.0	4.0	4.3	4.4
Local indirect grants	4.1	5.7	7.2	8.3	8.0	8.3	8.7
<b>Provinces</b>	<b>628.8</b>	<b>660.8</b>	<b>694.1</b>	<b>706.4</b>	<b>720.5</b>	<b>752.4</b>	<b>784.6</b>
Equitable share	520.7	544.8	570.9	585.1	589.5	616.4	644.3
Conditional grants	108.1	116.0	123.3	121.3	131.0	136.1	140.3
<b>Local government</b>	<b>137.1</b>	<b>135.6</b>	<b>150.7</b>	<b>160.6</b>	<b>169.2</b>	<b>177.3</b>	<b>182.9</b>
Equitable share	83.1	76.2	83.9	95.2	101.2	106.1	110.7
General fuel levy sharing with metropolitan municipalities	14.0	14.6	15.3	15.4	14.5	15.2	15.9
Conditional grants	40.0	44.8	51.4	50.0	53.5	56.0	56.4
Provisional allocations not assigned to votes	–	–	–	–	2.3	38.0	47.1
Projected underspending	–	–	–	-3.3	–	–	–
<b>Non-interest allocations</b>	<b>1 556.4</b>	<b>1 619.2</b>	<b>1 700.7</b>	<b>1 690.1</b>	<b>1 732.8</b>	<b>1 814.1</b>	<b>1 898.8</b>
Debt-service costs	232.6	268.1	308.5	354.5	385.9	425.5	455.9
Contingency reserve	–	–	–	0.4	5.0	7.6	14.5
<b>Main budget expenditure</b>	<b>1 789.0</b>	<b>1 887.3</b>	<b>2 009.2</b>	<b>2 044.9</b>	<b>2 123.7</b>	<b>2 247.2</b>	<b>2 369.2</b>
<i>Percentage shares</i>							
National departments	50.8%	50.8%	50.3%	48.8%	48.6%	47.7%	47.8%
Provinces	40.4%	40.8%	40.8%	41.7%	41.6%	42.4%	42.4%
Local government	8.8%	8.4%	8.9%	9.5%	9.8%	10.0%	9.9%

Source: National Treasury

### Provincial Equitable Share

The projected Provincial Equitable Share (PES) allocation for all provinces is expected to reach R589.520 billion in 2024/25, R616.371 billion in 2025/26, and R644.338 billion in 2026/27. Among these, the Western Cape is allocated R60.937 billion (10.3 per cent), R63.584 billion (10.3 per cent), and R66.447 billion (10.3 per cent) over the 2024 MTEF.

*The Western Cape is allocated R60.9 billion, R63.6 billion, and R66.4 billion over the 2024 MTEF*

**Table 2.6 Provincial Equitable Share between provinces**

R million	2023/24	2024/25	2025/26	2026/27
Eastern Cape	75 605	76 680	80 125	82 768
Free State	32 429	32 487	33 972	35 578
Gauteng	124 465	125 652	131 405	137 629
KwaZulu-Natal	119 722	118 932	124 127	129 745
Limpopo	67 359	68 354	71 637	75 192
Mpumalanga	48 051	48 596	50 825	53 237
Northern Cape	15 573	15 849	16 608	17 429
North West	41 289	42 034	44 089	46 314
Western Cape	60 593	60 937	63 584	66 447
<b>Total</b>	<b>585 086</b>	<b>589 520</b>	<b>616 371</b>	<b>644 338</b>

Source: National Treasury

In terms of the horizontal distribution of the PES among provinces, Gauteng and KwaZulu-Natal provinces continue to be the top recipients, with the Western Cape receiving the fifth-largest share among the nine provinces, as the formula is largely redistributive in its current design. There is nonetheless a disjuncture between the population size and the equitable share, as the Western Cape accounts for 12 per cent (third largest populated province) of South Africa's population, but receives a disproportionate smaller share of the PES, unlike with Gauteng and KwaZulu-Natal.



### Changes to the Provincial Equitable Share between the 2023 Budget and 2023 MTBPS

Due to fiscal pressures, the PES is anticipated to decrease, leading to a projected decline in the Western Cape's proportional share over the 2024 MTEF. At the time of tabling the 2023 Budget, the Western Cape's PES stood at approximately 10.4 per cent. This reduction exacerbates fiscal instability in the Province, intensified by unprecedented mid-year budget cuts. Factors contributing to this decline include the phased implementation of the new Health Risk-Adjusted Index, changes in population data, and updates to health and education data.

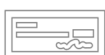
*The WC Provincial Equitable Share is anticipated to decrease*

The Western Cape's share of the PES formula is set to decrease by around 0.06 percentage points between the 2023 MTEF and the 2024 MTEF. This represents a shift from a 10.4 per cent share to 10.3 per cent, with the adjustment being phased in gradually over three years.

**Table 2.7 Full impact of data updates on the provincial equitable share (2022 MYPE)**

	2023 MTEF weighted average	2024 MTEF weighted average	Difference
Eastern Cape	12.91%	12.84%	(0.08%)
Free State	5.53%	5.52%	(0.01%)
Gauteng	21.28%	21.39%	0.1%
KwaZulu-Natal	20.43%	20.14%	(0.29%)
Limpopo	11.51%	11.66%	0.2%
Mpumalanga	8.22%	8.26%	0.0%
Northern Cape	2.67%	2.70%	0.0%
Northern West	7.07%	7.18%	0.1%
Western Cape	10.38%	10.32%	(0.06%)
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.0%</b>

Source: National Treasury



The combined impact of the data updates amounts to a reduction of R379.612 million over the 2024 MTEF as indicated in the table below.

**Table 2.8 Revisions to the Provincial Equitable Share, 2024 MTEF**

WESTERN CAPE: REVISIONS TO THE PROVINCIAL EQUITABLE SHARE (PES): 2024 MTEF - 1 November 2023					
R Thousands	Current Yr.	2024 Medium-term expenditure framework			Total Revisions
	2023/24	2024/25	2025/26	2026/27	
Provincial equitable share (PES) (as per final 2023 MTEF allocation letter)	58 886 129	60 920 492	63 448 030	66 295 003	190 663 525
Adjustment to baseline due to impact of new data updates in the PES formula (phase-in from 2024/25 of 2023 MTEF)		(192 558)	(80 727)	(106 327)	(379 612)
<b>Total: Technically adjusted provincial equitable share before Adjustments to Baselines</b>	<b>58 886 129</b>	<b>60 727 934</b>	<b>63 367 303</b>	<b>66 188 676</b>	<b>190 283 913</b>
<b>Adjustments to Baselines</b>	<b>1 706 703</b>	<b>209 166</b>	<b>217 073</b>	<b>258 396</b>	<b>684 635</b>
Fiscal consolidation reduction		(2 027 176)	(2 129 958)	(2 201 133)	(6 358 267)
Addition: Wage cost carry-through (Education and Health)	1 706 703	2 236 342	2 347 031	2 459 529	7 042 902
2024 MTEF PES Percentages (new data updates (phased-in))		10.35%	10.33%	10.32%	
<b>Total: Preliminary Provincial Equitable Share for 2024 MTEF</b>	<b>60 592 832</b>	<b>60 937 100</b>	<b>63 584 376</b>	<b>66 447 072</b>	<b>190 968 548</b>
<b>Variance: 2023 MTEF vs. 2024 MTEF</b>	<b>1 706 703</b>	<b>16 608</b>	<b>136 346</b>	<b>152 069</b>	<b>305 023</b>

Source: National Treasury preliminary PES allocations for the 2024/25 - 2026/27 MTEF.

### Adjustment to the Provincial Equitable Share Baseline for service delivery pressure

Provinces are expected to respond to the liability of the unfunded wage agreement

The preliminary allocations to the Western Cape make provision for fiscal consolidation, as well as partial funding for the wage agreement for Health and Education. Provinces are expected to respond to the liability of the unfunded wage agreement within baselines, creating substantial pressure on already reduced baselines.

A total of R61.5 billion is reduced nationally from the PES (vertical share) over the 2024 MTEF period. In terms of the wage cost, the National Treasury provided funds partially for only Education and Health, with no allocations being made to other Votes. Nationally, R68.2 billion has been allocated to all provinces to partially fund the Cost-of-Living Adjustments for health and education departments, making provision for the carry-through cost of the public service wage bill.





**Table 2.9 PES reductions over the 2024 MTEF**

PES reduction	2024/25		2025/26		2026/27		MTEF	
	R'000	% Reduction to base	R'000	% Reduction to base	R'000	% Reduction to base	R'000	% Reduction to base
2023 Baseline	60 920 492		63 448 030		66 295 003		190 663 525	
Reduction: PES formula updates	(192 558)	(0.32)	(80 727)	(0.13)	(106 327)	(0.32)	(379 612)	(0.32)
Reduction: Fiscal consolidation	(2 027 176)	(3.33)	(2 129 958)	(3.36)	(2 201 133)	(3.32)	(6 358 267)	(3.33)
<b>Net reduction</b>	<b>(2 219 734)</b>	<b>(3.64)</b>	<b>(2 210 685)</b>	<b>(3.48)</b>	<b>(2 307 460)</b>	<b>(3.48)</b>	<b>(6 737 879)</b>	<b>(3.53)</b>

Source: WC Provincial Treasury

The net reduction to the 2023 baseline amounts to R6.737 billion or 3.5 per cent over the 2024 MTEF. This reduction comprises of R379.612 million as a result of technical changes to the PES formula over the 2024 MTEF, and a further R6.358 billion due to fiscal consolidation reductions. The Provincial baseline is thus reduced by R2.219 billion (or 3.6 per cent) in 2024/25, R2.210 billion (or 3.5 per cent) in 2025/26 and R2.307 billion (or 3.5 per cent) in 2026/27.

*The net reduction in the Western Cape baseline amounts to R6.737 billion over the 2024 MTEF*

#### ● Annual technical data updates impact on the PES

The PES formula is updated on an annual basis, to promote alignment between the allocation of available resources through the horizontal distribution across provinces. This allows for allocations to reflect changes in the demand for services as measured by provincial population numbers and official institutional data as verified by national departments. Table 2.10 summarises the data sources used to update the various components of the PES formula. However, it is important to note, the formula will only be updated with the 2022 Census data for the 2025 MTEF period.

*The MYPE was used for PES formula updates, while the Census 2022 data is set to be used for the 2025 MTEF*

#### ● Revisions to the equitable share formula

For the 2024 MTEF, the new health risk-adjusted index will be fully phased in by the end of 2024/25. A review of the education component is currently in progress and is likely to be implemented in the 2025 MTEF.

#### ● Data availability

For the 2023 MTEF the following can be noted regarding population data, as depicted in table 2.10 below:

- There was no official release of the Mid-Year Population Estimates (MYPE), publication as this was officially replaced with the anticipated official release of the 2022 Census.
- In the absence of the full 2022 Census data, the 2022 MYPE was used to update various components of the PES formula.





- Available certified administrative data from the health and education sectors are as follows:
  - **Education:** The education component has been updated using the school-age population (5 to 17 years) from the 2022 MYPE, Statistics South Africa (Stats SA), and the 2023 school enrolment data drawn from the Learner Unit Record Information and Tracking System (LURITS) from the Department of Basic Education.
  - **Health:** The health component has been updated with the 2021/22 and 2022/23 District Health Information Services patient load data from the Department of Health. The phased introduction of changes to the risk-adjusted sub-component will be completed in 2024/25, and the full extent of these modifications, totaling 100 percent, will be implemented consistently from that point onward. The rest of the components of the formula have been updated with the 2022 MYPE, the 2010 Income and Expenditure Survey, and the 2019 regional GDP data. At the time of making updates to the formula, the 2020 regional GDP data was not available in the most recent publication by StatsSA, therefore the component was updated with the 2019 regional GDP data that was utilised during the previous MTEF.

**Table 2.10 Summary of PES data updates**

Weight	Component	Data used
48%	<b>Education</b>	2022 Mid-Year Population Estimates age cohorts (new data)* 2023 School enrolment (new data)
27%	<b>Health</b>	2022 Mid-Year Population Estimates (new data) Insured population 2021/22 Council for Medical Schemes data 2022 General Household Survey Total fertility rate (old data) Premature Mortality (old data) Patient load data (DHIS 2021/22 - 2022/23) (new data)
16%	<b>Basic</b>	2022 Mid-Year Population Estimates (new data)*
3%	<b>Poverty</b>	2022 Mid-Year Population Estimates (new data)* Income and Expenditure Survey (IES) 2010/11
1%	<b>Economic</b>	GDP-R 2019 (old data)
5%	<b>Institutional</b>	Not applicable - distributed equally amongst provinces (data not used)

## Provincial conditional grants

Conditional grant allocations for the 2024 MTEF are pending finalisation due to ongoing consultations between national departments and relevant stakeholders. National departments administering conditional grants must submit grant and province-specific allocations to the National Treasury by 1 December 2023, as mandated by Section 26(2)(e) of the 2023 Division of Revenue Act. Preliminary allocations are expected to be communicated to provinces by mid to late December 2023.

### Reductions to conditional grants for 2023/24

National fiscal challenges have resulted in a reduction of R6.2 billion nationally in conditional grant allocations in 2023/24. In this context, the Western Cape has experienced a decrease of R642.284 million in conditional grants for 2023/24. National sector departments responsible for conditional grants made determinations regarding the approach to the reductions and the impact it would have on provinces. Factors used in determining reductions were grant spending patterns and the potential consequences of reductions on the operational activities of the grants.

*National fiscal challenges have resulted in a reduction of R6.2 billion in conditional grants*

## Provincial own receipts

Sections 228 and 229 of the Constitution provide provincial departments the authority to raise revenues that can be used to carry out their respective mandates. Although most of the Province's revenue comes from national transfers, own revenues provide additional financing that supports improved service delivery. Provinces can impose user fees including hospital patient fees, liquor license fees, as well as provincial taxes such as casino taxes, and motor vehicle license (MVL) fees. The national government oversees broad-based taxes inclusive of corporate and personal income taxes.



The WCG's strategy for own revenue is to enhance revenue streams, optimise collection through improved processes and online platforms, and upgrade staff capacity to effectively navigate refined revenue systems. Currently, the WCG's own revenue comprises less than 5 per cent of its total revenue envelope, of which the most significant sources of own revenue contributing to the budget, are from the Department of Health and Wellness, contributing 66.1 per cent and the the Department of Infrastructure contributing 16.3 per cent.

*The WCG's own revenue comprises less than 5% of its total resource envelope*

The Department of Police Oversight and Community Safety, and the Provincial Treasury serve as intermediaries, receiving liquor license fees and gambling taxes from the Western Cape Liquor Authority (WCLA) and the Western Cape Gambling and Racing Board (WCGRB) respectively, and depositing them into the Provincial Revenue Fund (PRF). Tax receipts include, liquor license fees and gambling taxes, and are reported separately from the Departments' budget. Liquor license fees and gambling taxes are projected to average R53.651 million and R1.031 billion respectively over the 2024 MTEF period.



**Table 2.11 Summary of projected provincial own receipts by vote and source**

Votes	2023/24 Adjusted Budget	2024/25	2025/26	2026/27
<b>R'000</b>		<b>Medium Term Estimate</b>		
<b>Provincial own receipts: Vote specific</b>	<b>635 960</b>	<b>627 324</b>	<b>655 073</b>	<b>684 551</b>
Department of the Premier	1 789	1 869	1 953	2 041
Provincial Parliament	82	86	90	94
Provincial Treasury	84	88	92	96
Police Oversight and Community Safety	260	358	374	391
Education	26 849	28 054	29 311	30 630
Health and Wellness	448 375	414 634	433 210	452 704
Social Development	1 315	1 374	1 436	1 501
Mobility	32 838	34 441	35 984	37 603
Environmental Affairs and Development Planning	3 048	3 185	3 328	3 478
Infrastructure	78 135	101 964	106 174	110 952
Agriculture	36 301	37 931	39 630	41 413
Economic Development and Tourism	1 092	423	442	462
Cultural Affairs and Sport	5 673	2 793	2 918	3 049
Local Government	119	124	130	136
Motor Vehicle Licences (Tax receipts)	2 029 018	2 120 206	2 215 288	2 314 976
<b>Provincial Revenue Fund: Tax Receipts</b>	<b>991 833</b>	<b>1 036 862</b>	<b>1 083 879</b>	<b>1 132 653</b>
Gambling Taxes	942 740	985 555	1 030 263	1 076 625
of which:				
Casino Taxes	499 652	463 210	463 618	484 481
Horse racing taxes	443 088	522 345	566 645	592 144
Liquor Licence Fees	49 093	51 307	53 616	56 028
<b>Total</b>	<b>3 656 811</b>	<b>3 784 392</b>	<b>3 954 240</b>	<b>4 132 180</b>

Source: WC Provincial Treasury

Provincial 'own receipts' by departments are estimated to increase at an annual growth rate of 2.5%

Provincial own receipts raised by departments are estimated to increase at an average annual growth rate (AAGR) of 2.5 per cent from the 2023/24 adjusted estimate of R635.960 million to R684.551 million in 2026/27. The PRF tax receipts are projected to increase at an AAGR of 4.5 per cent from R991.833 million in the 2023/24 Adjusted Budget to R1.133 billion in 2026/27.

### Motor Vehicle License (MVL) fees

MVL fees are projected to increase at an AAGR 4.5 per cent from R2.029 billion in the 2023/24 adjusted budget to R2.315 billion in 2026/27. The increases in MVL fees contribution over the period is due to the expected growth in the motor vehicle population and increases in MVL tariffs across the various motor vehicle tare<sup>1</sup> categories.

### Liquor License Fees

Liquor license fees are projected to increase at an AAGR of 4.5 per cent from R49.093 million in the 2023/24 adjusted budget to R56.028 million in 2026/27.

The growth over the period is supported by annual inflationary increases in liquor license fees that allow the WCLA to improve compliance and enforcement capacity. The WCLA is developing a differentiated pricing model for liquor license fees, allowing for more categorisation and costing across license holders, to enable the authority to expand its oversight function.



<sup>1</sup> "the weight of a vehicle"

## Gambling taxes

Gambling taxes comprise of casino, horse racing, and sports betting taxes and taxes derived from limited payout machines. Gambling taxes are estimated to grow at an AAGR of 4.5 per cent, from R942.740 million in the 2023/24 adjusted budget to R1.077 billion in 2026/27. Growth in the gambling taxes budget is positive, supported by strong growth in the sports betting component of the sector, but is expected to plateau over the 2024 MTEF.

*Growth in gambling taxes is supported by strong growth in the sports betting component of the sector*

## Hospital Patient Fees

Patient fees are determined by the National Department of Health through the Uniform Patient Fee Schedule (UPFS), which is intended to simplify the charging structure for both public and private hospitals. Some of the notable objectives of the UPFS include: simplicity of implementation in manual and computerised systems; an activity-based costing approach; and easy to implement changes to cost structures. Other components contributing to patient fees are payments received from medical aids, the Road Accident Fund (RAF), state departments, and individuals.



Hospital patient fees are estimated to increase at an AAGR of 4.5 per cent from R312.925 million in the 2023/24 adjusted budget to R357.339 million in 2026/27.

## Provincial Reserves

The strategic accumulation of provincial reserves is aimed at ensuring there is a sufficient pool of financial resources to tackle sudden and unforeseen fiscal, economic, or adverse events that could potentially disrupt service delivery. Increased government expenditure, particularly in frontline service delivery departments, might be affected by unforeseen and unavoidable challenges, such as pandemics and disasters. The utilisation of provincial reserves enables the Province to largely maintain an uninterrupted level of service delivery despite external pressures on public finances. However, these pressures may impact the ability to respond to service delivery demands at a reduced rate.

In response to the unprecedented fiscal constraints at the national level, the WCG is drawing down its provincial reserves to safeguard against fiscal consolidation measures, which may impact service delivery. The Provincial Treasury reviewed all sources of revenue to cushion the full impact on votes as much as possible.

*The WCG has drawn down from provincial reserves to safeguard against fiscal consolidation measures.*

Table 2.12 below depicts the financial position of the WCG provincial reserves over the 2024 MTEF.

**Table 2.12 Provincial Reserves**

Reserves				
Description R'000	2024/25	2025/26	2026/27	Total (MTEF)
Unforeseen and unavoidable	500 000	600 000	272 918	1 372 918
Acquisition of Property Reserve	82 608	99 307	69 531	251 446
Energy reserve	85 435			85 435
<b>Total</b>	<b>668 043</b>	<b>699 307</b>	<b>342 449</b>	<b>1 709 799</b>

Source: WC Provincial Treasury



The following allocations have been made for;

- 'Unforeseen and unavoidable expenditure' which amounts to R500 million for 2024/25, R600 million for 2025/26, and R272.918 million for 2026/27, totalling R1.373 billion.
- 'Acquisition of Property Reserve' amounting to R82.608 million in 2024/25, R99.307 million in 2024/26, and R69.531 million in 2025/26, amounting to a total of R251.446 million.
- 'Energy reserve' amounting to R85.435 million in the 2024/25 financial year.

The WCG is committed to rebuilding and restoring its financial reserves

Despite the fiscal challenges, the WCG remains committed to rebuilding and restoring its financial reserves. The overarching goal of rebuilding provincial reserves is to uphold long-term fiscal sustainability and the province's capability to meet unforeseen and unavoidable expenditure demands in the future.

Given the lackluster economic growth and the national fiscal environment, it is therefore imperative that the WCG continues to apply measures to fiscal consolidation to ensure a sustainable fiscal envelope over the immediate to short-term and drive the WCG's economic growth objectives over the short to medium term.

**Approach to fiscal risk due to PES reduction**

To address the R6.737 billion PES reduction over the 2024 MTEF the province has been able to raise R4.1 billion various sources. These sources include underspending/rollovers and overcollection of own revenue from 2022/23 not allocated in the 2023 Adjusted Budget, tax overruns in the current financial year, and the fiscal stabilisation reserve.

The remaining R2.6 billion fiscal risk will result in the reduction of Vote's baselines over the 2024 MTEF. To mitigate the impact on service delivery as much as possible, the WCG will consider all possible avenues. The first immediate response to this fiscal risk is the 2023 Adjusted Estimates.

## 2023 Adjusted Estimates

The WCG's first response to the national fiscal framework comes through the 2023 Adjusted Estimates, laying the foundation for votes to respond in a manner that creates space for long-term fiscal sustainability, responding to fiscal consolidation, unlocking allocative efficiency and enhancing productive efficiency, therefore laying the basis for a budget to build your future.



The Adjustments Budget process is set within the context of the 2023 MTEF Main Budget to ensure that expenditure priorities and interventions as voted, are aligned with provincial priorities to support growth, create and sustain jobs, foster safe and healthy communities, and promote the wellbeing of all the residents in the Western Cape. It also aims to achieve fiscal sustainability in-year, while setting a credible base for the upcoming 2024 MTEF, taking the 2023/24 budget performance and policy context into consideration.

The key principles of the 2023 Adjustments Budget, in preparation for the 2024 Budget Process, are to; fund the Cost-of-Living Adjustments (CoLA) relating to the 2023 wage agreement liability; address in-year fiscal risks; facilitate in-year fiscal discipline; and prepare for the 2024 MTEF budget reductions.

*Provinces expected to respond to the liability of the wage agreement within provincial baseline allocations*

The finalisation of the unfunded 2023 wage agreement in March 2023, coupled with the National Treasury's communication to provinces to respond to the liability of the wage agreement within provincial baseline allocations, has exerted substantial pressure on all provinces, the Western Cape included. This pressure is especially pronounced in essential service delivery departments such as Education, Health and Wellness, and Social Development. These departments are inherently reliant on human resources and have already experienced significant baseline reductions over the years, all while contending with a growing demand for service delivery.

In response, the WCG has adopted a risk-management-led scenario-based approach<sup>2</sup> to expenditure adjustments in the current financial year, where the baselines of departments were recalibrated for the current financial year. This allowed the Provincial Treasury to support those departments that could not respond to the liability of the wage agreement implications within their baselines.

*The WCG has adopted a risk-management-led scenario approach to expenditure adjustments in the current financial year*

The uncertainty stemming from the unfunded wage agreement has impacted the implementation of scheduled projects and activities for the current financial year of the WCG. Consequently, a comprehensive review

<sup>2</sup> Scenarios to accommodate expenditure reductions from Baseline: Scenario 1: Hard Landing, Scenario 2: Cross Winds, and Scenario 3: Best case descent.

was undertaken to align these projects/initiatives with the affordability determined by the in-year budget and the medium-term outlook. As a result, certain projects and activities have been rescheduled for the current year and the medium term, taking into consideration their financial feasibility.

**Table 2.13 Western Cape 2023 Adjustment Budget**

Summary of 2023 Adjustment Budget per Vote				
2023/24				
	R'000	Main Budget	Total adjustments	Adjusted Budget
		1	2	1+2=3
1	Dept. of the Premier	2 047 103	( 16 392)	2 030 711
2	Provincial Parliament	187 678	863	188 541
3	Provincial Treasury	340 674	( 24 238)	316 436
4	Police Oversight and Community Safety	745 160	( 31 026)	714 134
5	Education	29 548 366	835 290	30 383 656
6	Health and Wellness	28 804 565	931 423	29 735 988
7	Social Development	2 460 812	18 519	2 479 331
8	Mobility	2 953 180	23 967	2 977 147
9	Environmental Affairs & Dev. Planning	606 302	( 18 649)	587 653
10	Infrastructure	9 887 089	( 259 664)	9 627 425
11	Agriculture	960 165	( 6 040)	954 125
12	Economic Development and Tourism	512 787	( 29 855)	482 932
13	Cultural Affairs and Sport	895 529	( 7 239)	888 290
14	Local Government	369 866	41 760	411 626
	<b>Sub Total</b>	<b>80 319 276</b>	<b>1 458 719</b>	<b>81 777 995</b>
	Direct Charge	52 564	0	52 564
	<b>Total</b>	<b>80 371 840</b>	<b>1 458 719</b>	<b>81 830 559</b>

Source: WC Provincial Treasury

The 2023 Adjusted Budget makes provision of a net addition of R1.459 billion

The 2023 Adjustments Budget makes provision for a net addition of R1.459 billion in expenditure for the 2023/24 financial year, and is summarised as follows;

- The Province received R1.706 billion from the National Fiscus in the form of Provincial Equitable Share for the partial funding of the 2023 wage agreement for the education and health sectors only. This represents a R1.1 billion provincial shortfall on the total cost of the wage agreement.
- A reduction of R642.284 million to National Conditional Grants, which constituted an average of 4.4 per cent reduction of conditional grants in-year.
- Rollovers of expenditure to the amount of R406.360 million from 2022/23 are included in this Budget, of which R 230.621 million relates to national conditional grants and is mainly related to the Human Settlements infrastructure grants. Provincial rollover funding of R175.739 million will in the main be utilised for service delivery pressures in the Department of





Health and Wellness amounting to R102.214 million as well as R20.5 million for infrastructure projects in the Department of Infrastructure.

- In terms of previous year over-collected revenue, departments retain R186.302 million. This funds the agency fees on motor vehicle licenses amounting to R70 million, the Provincial Sustainable Transport Programme of R15 million in the Department of Mobility, R32.193 million for infrastructure projects at the Department of Infrastructure, and R52.278 million for service delivery pressures in the Department of Health and Wellness.
- In-year own revenue is increased by R35.162 million, of which the majority will fund in-year service pressures in the Department of Health and Wellness, as well as at the Western Cape College of Nursing.
- R22.013 million from the Unforeseeable and Unavoidable Reserve, of which R17 million is for the impact of fluctuations in the exchange rate on Microsoft software licensing cost, and the balance of R5.013 million for flood damage support to Agriculture. A further R188 million has been drawn down from the reserve as a flood response in 2024/25.
- R146.871 million additional funding includes R56.400 million for additional classrooms, R37.600 million for schools solar photovoltaic (PV), R42.413 million for acquisition of property for education and health,) and R64 million for a pilot renewable energy solution in the Department of Local Government.
- An allocation of R243.342 million to respond to the liability of the 2023 wage agreement.
- R180 million realignment of departmental baselines due to the current implementation plans, and as a response to the 2024 fiscal risk.

*R22.013 million has been allocated from the 'Unforeseeable and Unavoidable Reserve' for fluctuations in exchange rate and support for flood damage.*

*R243.342 million has been allocated to respond to the liability of the 2023 wage agreement.*

## Conclusion

The Western Cape is facing uncertainty due to the lackluster economic and constrained fiscal environment, rising service delivery demands, and changes in the PES formula. This is coupled with the National Treasury indicating that provinces must respond to the liability of the unfunded wage agreement within provinces' baselines. This has resulted in the Province's PES being reduced over the 2023 MTEF in real terms. The constrained resource envelope has highlighted the importance of productive efficiency, long-run fiscal sustainability, allocative efficiency, and protecting basic service outcomes.

The Western Cape's shrinking share of the PES allocation along with below inflation increases in transfers from National government, requires the Province to do more with less requiring tough budget policy trade-offs. Provincial own receipts are growing, especially through Motor Vehicle License fees and Gambling taxes, which the Province may need to put greater emphasis on due to the shrinking share of PES.

The WCG's fiscal approach is to apply measures of fiscal consolidation to ensure a sustainable fiscal envelope in the immediate to short-term and to drive economic growth over the short to medium-term. Focus will also be placed on rebuilding provincial reserves to ensure that the Province is prepared for any unforeseen and unavoidable externalities.

The WCG fiscal framework shapes a 'budget on which you can build your future'. The budget cares for citizens, exhibits a government that is prepared and governs for growth, all while the Province builds the foundations needed for a prosperous future.

# 3

## Western Cape Fiscal Approach and Levers

### In summary

- National government aims to achieve fiscal sustainability over the medium term, which requires focusing on fiscal consolidation to narrow the budget deficit and stabilise debt.
- Fiscal consolidation requires provinces to respond to the wage liability, as well as additional reductions in the provincial equitable share and conditional grants.
- The Western Cape Government's fiscal and budget approach revolves around two primary objectives. First, it focuses on supporting departments to mitigate the impact of baseline reductions. Secondly, it places particular focus on driving the implementation of programmes aligned with the key provincial priorities of Growth for Jobs, Safety, and Wellbeing, and the enablers of Innovation, Culture, and Governance.
- The 2024 MTEF Budget Policy Principles will guide fiscal decision-making in preparation for the 2024 Budget: responding to fiscal consolidation, enabling long-run fiscal sustainability, unlocking allocative efficiency, and enhancing productive efficiency.

### Introduction

Amidst the economic and fiscal crises, the Western Cape Government (WCG) recognises the imperative to deliver on key policy priorities within a fiscally constrained environment, placing citizens at the centre of service delivery decision-making.

Key elements of the Western Cape fiscal approach include protecting basic service outcomes while considering growth as an enabler; and contributing to evidence-based practices, while identifying areas of greatest impact. Optimising the WCG's revenue-raising potential will allow for adequately funding essential public services and facilitating long-term planning for sustainable development.

The WCG embraces a collaborative ethos in seeking innovative solutions to fiscal challenges. By fostering partnerships, both within and outside the government sphere, the Province aims to pool resources, share expertise, and collectively identify efficiencies. Emphasis is placed on the importance of learning, using evidence and data to provide better services despite fiscal challenges.

This chapter delves into the core principles and strategies underpinning the Western Cape's fiscal and budget approach to proactively mitigate against budget reductions, giving effect to policy priorities and managing key service delivery risks. The WCG will continue to strategically position itself to weather fiscal uncertainties and ensure a sustainable and resilient fiscal future.

## ■ Medium term national fiscal context

### National fiscal environment

*South Africa's growth prospects are impeded by loadshedding, poor rail performance and a deteriorating global environment*



South Africa faces a bleak economic outlook. The country's growth prospects are hampered by multiple factors, such as frequent loadshedding, poor rail performance, high inflation, rising borrowing costs, and a deteriorating global environment. These challenges limit the government's capacity to generate the revenue needed to fund essential services and implement policy priorities in a sustainable manner.

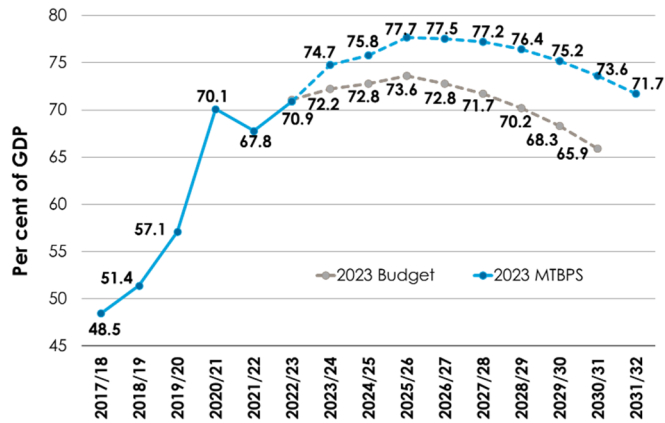
Revenue collection in South Africa has benefited from a pattern of high commodity export prices in recent years. However, commodity prices have declined faster than expected in the current year, while Value Added Tax (VAT) refund claims have increased, resulting in revenue collections that are estimated to be R56.8 billion lower than projected in the 2023 Main Budget. The domestic economic outlook and negative movements in the global economy limit the moderate revenue outlook.

South Africa's enduring fiscal challenges stem from a prolonged period of sluggish economic growth. Since the 2008 global financial crisis, government spending has consistently exceeded revenue collection, leading to persistent and large budget deficits. This situation necessitates continually elevated levels of borrowing, without corresponding enhancements in public services.

*National government aims to achieve fiscal sustainability by narrowing the budget deficit and stabilising debt*

The national fiscal strategy aims to achieve fiscal sustainability over the medium term. A focus on fiscal consolidation aims to narrow the budget deficit and stabilise debt. Between 2008/09 and 2022/23, gross loan debt, as a percentage of GDP, increased by 47.2 percentage points. Gross loan debt is expected to stabilise at 77.7 per cent of GDP in 2025/26, compared to the 73.6 per cent of GDP projected in the 2023 Main Budget. This is mostly due to an increase in the main budget deficit due to the slower than anticipated revenue and the higher than anticipated wage bill. The consolidated budget deficit is projected to reach 4.9 per cent in 2023/24 before narrowing to 3.6 per cent in 2026/27.

**Figure 3.1 Gross debt-to-GDP outlook**

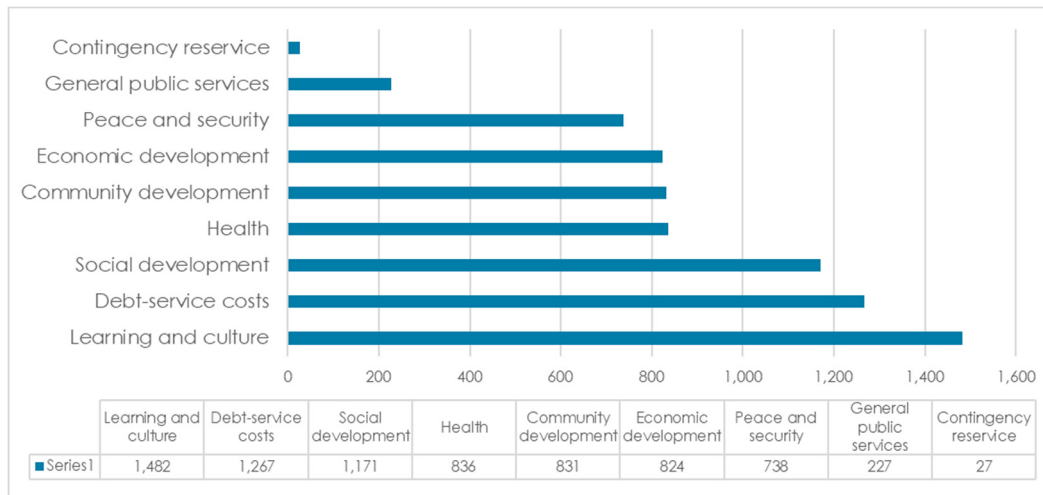


Source: 2023 National MTBPS, National Treasury

Debt service costs consume a larger share of the budget than social development, health, community development, economic development, or peace and security. Debt service costs are expected to increase from R354.5 billion in 2023/24 to R455.9 billion in 2026/27.



**Figure 3.2. Total consolidated government expenditure, 2024/25 – 2026/27**



Source: 2023 National MTBPS, National Treasury

Rising debt servicing costs raise the cost of borrowing throughout the economy. The rising cost of servicing government debt crowds out essential government spending for accomplishing government's objectives.

*Debt service costs crowding out spending on core services*

Key policy messaging stemming from the national Medium Term Budget Policy Statement (MTBPS) are outlined below:

<b>Infrastructure delivery</b>	<ul style="list-style-type: none"> <li>● The establishment of the Infrastructure Finance and Implementation Support Agency.</li> <li>● Increasing the build-operate-transfer structures, Public Private Partnerships and concessions, and application of the frontloading mechanism which provincial conditional grants now allow for.</li> </ul>
<b>Reconfiguration of the state</b>	<ul style="list-style-type: none"> <li>● Over the next three years, a joint plan is being developed to reconfigure government departments, entities, and programmes based on the outcome of previous spending reviews.</li> </ul>
<b>The public sector wage bill</b>	<ul style="list-style-type: none"> <li>● The 2023 public-service wage agreement included remuneration increases that was not budgeted for. Significant trade-offs and clawback mechanisms are being implemented to mitigate the impact of these higher costs on the fiscal framework and to keep the budget for employee compensation in check.</li> <li>● The National Treasury has issued a directive to national and provincial departments to implement control measures for creating and filling vacant positions, including recruitment restrictions for less critical positions. Government is considering additional controls on personnel budgets, such as providing incentives for early retirement.</li> </ul>
<b>Strengthen fiscal credibility</b>	<ul style="list-style-type: none"> <li>● In 2012, the government implemented a non-interest expenditure ceiling to guide fiscal policy. However, budget deficits and debt have persistently increased, primarily because the ceiling lacked binding constraints. The objective of reducing and stabilising debt has been continuously postponed, largely due to factors such as lower-than-expected economic and revenue growth, coupled with significant spending pressures like bailouts for state-owned companies and rising compensation costs.</li> <li>● In response to these challenges, the government is contemplating additional rules to establish a more effective fiscal anchor for sustainability. Detailed information on these measures will be presented in the 2024 Budget.</li> </ul>
<b>Social protection and public employment</b>	<ul style="list-style-type: none"> <li>● The social wage accounts for 61 per cent of consolidated non-interest spending over the medium term, which includes combined public spending on health, education, housing, social protection, transport, employment, and local amenities. Social protection transfers amount to R945.9 billion over the medium term and includes the old age grant, child support grant, disability grant, and the COVID-19 social relief of distress grant.</li> </ul>
<b>Electricity and energy generation</b>	<ul style="list-style-type: none"> <li>● Eskom debt relief totalling R254 billion from 2023/24 to 2025/26 is reflected on both the government and Eskom balance sheets, implying an increase in government debt.</li> <li>● Emphasis is placed on a low carbon transition. Prioritising a low-carbon transition is essential as it not only advances green growth but also serves as a catalyst for robust industrialisation initiatives.</li> </ul>
<b>Fighting crime and corruption</b>	<ul style="list-style-type: none"> <li>● Prioritise the protection of personnel-intensive safety functions, notably the police, while concurrently providing robust support for a variety of crime-fighting endeavours.</li> </ul>
<b>Financial management and governance reforms</b>	<ul style="list-style-type: none"> <li>● Focus is placed on enhancing the legislative environment, specifically in the areas of financial management and governance.</li> </ul>

The implications of the National MTBPS for the Western Cape gives rise to the following risks and opportunities for the region:

- The reassessment of Compensation of Employees (CoE) budgets is essential due to the unfunded wage liability potentially crowding out non-personnel expenditures. Certain departments that are heavily reliant on CoE face sustainability risks which will likely impact on service delivery.
- The introduction of a new mechanism to expedite the delivery of capital projects is positive for the Western Cape as it may result in more efficient use of resources and faster completion of infrastructure projects.
- The proposal to adjust spending based on policy priorities is a signal that the WCG will need to make strategic decisions regarding where to allocate resources. This requires a focus on essential services and critical projects that align with its priority areas.
- The WCG would need to implement fiscal reductions or reallocate spending to align with reduced revenue, which could affect the provision of some public services.
- The WCG has been implementing the cost containment guidelines outlined by the National Treasury. This could lead to limitations on expenditures in various areas, potentially affecting the scope and quality of public services and projects. The commitment to these guidelines reflects a strategic approach to financial management, ensuring responsible resource allocation for sustained service delivery.
- The extension of the Social Relief of Distress grant by another year has implications for the national budget and therefore allocations to provinces. The prolonged reliance on this grant, risks crowding out conditional grants to provinces.
- Municipal Disaster Recovery and Response grants will assist Western Cape municipalities to respond to the recent flooding.
- The WCG has a valuable opportunity to contribute to the development of the Disaster Risk Financing Strategy.
- The Eskom Debt Relief Programme is set to stabilise vulnerable Western Cape municipalities, including Beaufort West (R77 million), Cederberg (R45 million), Matzikama (R113 million) and Kannaland (R45 million) that have successfully applied for access to this Programme.
- Water prioritisation and grant revamping in accordance with national water reports will aid the Department of Local Government and Western Cape municipalities in effectively tackling water security challenges.

*Reassessment of COE budget is essential due to wage liability*



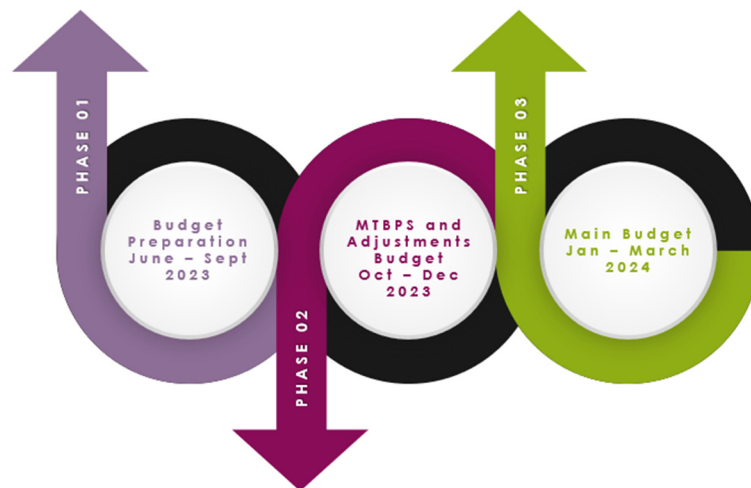
- As the country transitions to a low-carbon economy, the Western Cape Energy Resilience Programme will become more effective and relevant. The WCG will benefit from a more energy-independent system as domestic and foreign investors crowd into the energy sector.
- The WCG's ability to leverage industry to drive job creation is hampered by the impact on rail infrastructure and logistical bottlenecks at the Port of Cape Town which hinders exports and access to markets.

### Western Cape Fiscal Approach

WCG's fiscal focus is to absorb budget reductions and drive the key provincial priorities

The WCG's fiscal and budget approach has two key objectives. First, it focuses on supporting departments to absorb the impact of baseline reductions. Secondly, it considers that the WCG is in the final year of the 2019 – 2024 policy term and therefore places particular focus on driving implementation of programmes within key provincial priorities.

**Figure 3.3 2024 MTEF Budget Process**



The 2024 MTEF budget process includes three phases: Phase 1 focused on navigating the fiscal uncertainty by applying a scenario-based and risk-led approach. Phase 2 introduces the road toward certainty through the 2023 Adjustments Budget that aims to achieve in-year fiscal sustainability, while the 2023 MTBPS will further support this objective through providing the budget policy framework within which the 2024 Budget will be formulated.

Phase 3 will create a level of fiscal certainty through the finalisation of the 2024 Budget, which will continue to drive WCG's core values of optimism and worth.

Given the two key objectives of the WCG fiscal and budget approach, the 2024 budget process introduced an integrated Budget Execution Process. The outcome of this process positions the Executive to identify a policy priority list of critical interventions for implementation over the 2024 MTEF while deciding on key trade-offs that would be required to implement such within a fiscally constraint environment.



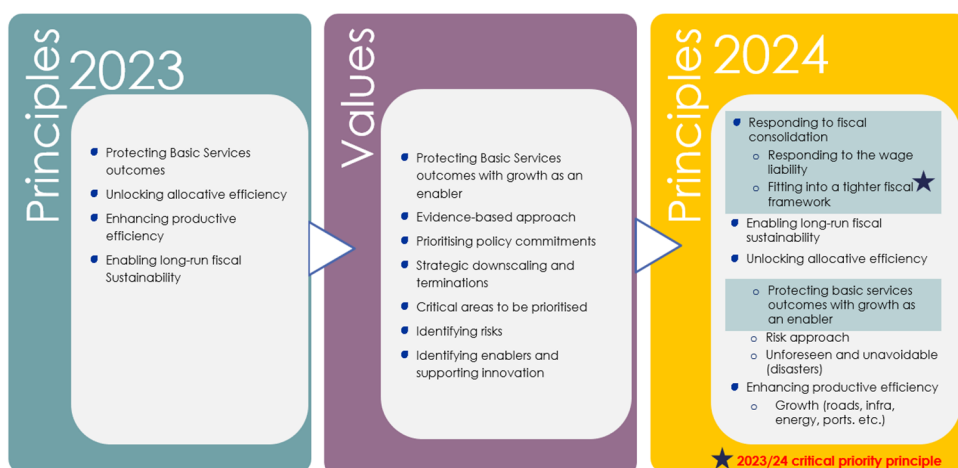


The WCG is constantly learning and gathering data and evidence to deliver better services on safety, wellbeing and jobs, despite the challenges posed by the COVID-19 pandemic and the national fiscal constraint. An integrated and all-inclusive approach was followed to drive these priority areas of Growth for Jobs, Safety and Wellbeing. This includes outlining the critical priority areas of delivery, as well as the priority areas that would need to be downscaled or terminated. Emphasis was placed on the need to identify strategic interdependencies between departments that require co-decision making.

*Using data and evidence to deliver better services*

The National MTBPS emphasised that the fiscal environment has further deteriorated and confirmed the importance of identifying a path towards fiscal sustainability, and exploring measures of fiscal consolidation, while exploring areas of opportunity to grow the economy. Responding to the economic, fiscal and policy context necessitated a reassessment of the 2023 Budget Principles. The following 2024 Budget Policy Principles will be applied within the WCG:

**Figure 3.4 2024 MTEF Budget Policy Principles**



- Responding to Fiscal Consolidation:** The national fiscal framework indicates that provinces are required to respond to the wage liability, as well as an additional reduction in the provincial equitable share (PES) and conditional grants. For the Western Cape, this translates into significant downward revisions to budgets over the respective 2023 and 2024 MTEF years. Measures to consolidate expenditures will continue to be applied over the medium term to close fiscal imbalances. These include applying effective CoE strategies that align to service delivery strategies, while identifying opportunities for alternative financing, exploring innovation for greater efficiencies and impact, as well as identifying those areas that would need to be downscaled and terminated.
- Enabling long-run fiscal sustainability:** Proactive risk management is imperative to protect the long-term fiscal sustainability of the Province. All departments and entities have diligently adhered to the fiscal consolidation framework in order to support this principle. The WCG is

*Provinces need to respond to the wage liability and additional reductions to PES and conditional grants*

*The WCG will focus on rebuilding reserves to maintain a sustainable fiscal base*

focused on rebuilding reserves over the medium term to maintain a sustainable fiscal base. This requires the Province to continue to implement its CoE strategy to manage headcount effectively. Departments are compelled to make tough choices regarding reprioritisation, downscaling, or applying hard stops to programmes and projects without demonstrable impact in achieving productive efficiencies and contributing to long-run fiscal sustainability.

*Strategic repositioning is required to align plans and budgets to the WCG policy priorities*

- **Unlocking allocative efficiency:** Budget repositioning and programme trade-offs are required to maximise spending outcomes and impacts. This is particularly relevant to the WCG priorities of Growth for Jobs, Safety, Wellbeing, and Innovation, Culture, and Governance, which includes the WCG Institutional Refresh process. This principle signifies the strategic repositioning of existing plans and budgets to align with the WCG's policy priorities. Given fiscal constraints, departments and entities have undertaken reprioritisation efforts within their baselines, strategically repositioning their plans and budgets to fulfil service delivery requirements in accordance with their mandates. Furthermore, this principle highlights the pivotal criterion of protecting basic services outcomes while leveraging growth as an enabler in budgetary decisions. It also emphasises the importance of effective risk management through the application of mitigation mechanisms and provisions for unforeseen and unavoidable circumstances, such as natural disasters.

*A reassessment of input allocation is required across major expenditure items, including compensation, goods and services, transfer payments, and infrastructure investment and renewal*

- **Enhancing productive efficiency:** Maintaining or expanding service delivery outputs within a diminishing fiscal envelope necessitates a commitment to productive efficiency, transcending mere cost containment. Productive efficiency entails a comprehensive reassessment of input allocation across major expenditure items such as compensation, goods and services, transfer payments and infrastructure investment and renewal. Tough choices such as reprioritisation, implementing hard stops on programmes lacking impact, and identifying areas for downscaling are required to achieve greater productive efficiency. In the prevailing economic context, these choices should particularly emphasise enhancing growth, e.g., focusing on areas such as infrastructure, ports, and energy.

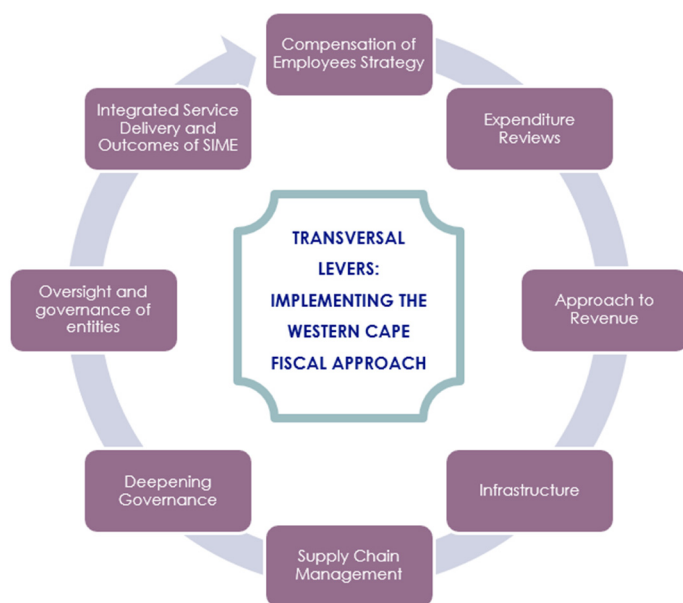
The 2024 MTEF principles are positioned as the bedrock for informed fiscal decision-making throughout the 2024 budget process.

## ■ Implementing the Western Cape Fiscal Approach and Levers

Over the medium term, the Western Cape fiscal policy response includes transversal levers that are critical to driving the effective delivery of the WCG's fiscal and budget approach. These levers are outlined below.

*Transversal levers to drive delivery of the WCG's fiscal and budget approach*

**Figure 3.5 Transversal levers critical to driving effective delivery**



### Compensation of Employees Strategy

Over several years, the WCG has consistently upheld and fortified prudent CoE management by implementing CoE ceilings and headcount controls, evidencing fiscal sustainability. Remarkably, the WCG maintains the lowest number of personnel per capita compared to other provinces. Additionally, departments have been encouraged to enhance service effectiveness and efficiency through technology adoption and innovative service delivery models. Simultaneously, efforts have been made to prioritise staff wellness, fostering a motivated workforce within the challenging service delivery environment.

*Containing compensation budgets through expenditure ceilings and headcount management*

Emphasis over the medium term will remain on assuring the fiscal sustainability of CoE budgets, within the context of fiscal consolidation. Specifically, headcount growth will be limited to frontline service delivery departments, such as teachers, nurses, and social workers. With the objective of continuing to manage headcount, the Premier's concurrence on filling of posts will continue in 2024/25.

Looking ahead, departments will continue to apply prudent CoE and headcount management through their own differentiated CoE strategies.

*Conducting expenditure reviews for efficiency gains*

## Expenditure Reviews

In response to the current economic and fiscal landscape, there is a pressing need to fortify efficiencies and amplify the impact of service delivery programmes. Conducting expenditure reviews becomes imperative, facilitating a systematic analysis of baseline expenditures to pinpoint opportunities for efficiency gains. This approach is vital to ensure the sustained delivery of services within the confines of the current fiscally constrained environment. During the 2022/23 financial year, the WCG completed the following expenditure reviews:

- e-Learning in the Western Cape Education Department;
- Agency and support/outsourced services, including doctors and nursing staff in the Department of Health and Wellness;
- Enhancing access to government services and information for vulnerable populations through Thusong service centres and outreaches in the Department of Local Government; and
- Agricultural Producer Support and Development in the Department of Agriculture.



Results from these reviews were shared with respective departments for comment and/or implementation, offering valuable insights into data availability, necessary data generation for policy choices in the provincial budget, and proposals for potential savings. Looking ahead, the 2023 Expenditure Review topics include:

- Benchmark Analysis of the WCG CoE against other selected provinces;
- Analysis of departmental Programme 1: Administration expenditure; and
- Analysis of the HIV/AIDS and TB programme, with a focus on funding sourcing and services delivered per district.

Anticipated to conclude by March 2024, these expenditure reviews will culminate in key findings incorporated in the 2024 MTEF.

## Fiscal Futures Update

*Developing a fiscal planning model to enhance medium to long term planning*

The project aims to develop a fiscal planning model for the WCG to enable the provincial fiscal strategy to anticipate and respond dynamically to a changing fiscal context. The project's outputs will enhance the predictability of fiscal transfers and provincial income and expenditure to enhance medium- and long-term fiscal planning. Through the implementation of a dashboard system that visualises national and provincial financial balance and position statements, coupled with the facilitation of scenario analysis centred on long-term baseline projections, the project establishes a resilient foundation for a risk-management approach to budget planning.

The most recent draft report encapsulates the preliminary results derived from predefined scenarios. This comprehensive document delves into the model's structure, presenting both standardised and custom scenarios based on a spectrum of assumptions:

- **Baseline Assumptions:** These assumptions delineate the "as is" scenario, portraying a situation where no significant changes to the most crucial variables take place.
- **Alternative assumptions:** This category encompasses both pessimistic and optimistic scenarios, shaped by identified risks and opportunities identified from the research.

The Fiscal Futures model is currently undergoing its draft stages, with the anticipated finalisation of the report and model set during the 2024/25 financial year. The comprehensive approach enhances the WCG's fiscal planning capabilities, as well as laying the groundwork for informed decision-making through a nuanced understanding of potential scenarios and their implications.



### Approach to Revenue

WCG departments rely on their own revenue streams to supplement funding for their mandates within the broader fiscal framework. These departments consistently optimise and improve the collection of their own revenue, emphasising enhancements to hardware, internal processes, and online platforms. Ongoing efforts are directed toward upgrading staff capacity to effectively navigate these refined revenue systems.

*WCG departments optimise revenue, enhance systems, and build capacity*

Given the current fiscal crisis, a distinct approach to infrastructure financing becomes imperative to support economic growth and meet service delivery requirements, recognising infrastructure as a pivotal catalyst for economic development. This necessitates active engagement with the private sector and both local and international development finance institutions.

Blended finance emerges as an innovative strategy, utilising development finance to mobilise private and other developmental capital for sustainable projects. It aims to attract investors pursuing financial returns while simultaneously delivering social and environmental benefits. Blended finance acts as a complement to and supplement for government resources.

*Blended financing is being explored to supplement government resources*

The WCG is exploring the potential to establish a blended financing platform for the Western Cape Energy Resilience Programme. Addressing the energy crisis, this initiative aims to reduce the impact of loadshedding on businesses and individuals, ultimately decreasing reliance on Eskom as the primary energy provider. Investments in electricity infrastructure are expected to yield positive ripple effects across various sectors in the Province, contributing to an enhanced economic outlook in the medium to long term.

## Infrastructure

The monitoring and evaluation of infrastructure will persist in strict adherence to the processes and requirements for infrastructure delivery and procurement outlined by the National Treasury through the Infrastructure Delivery Management System (IDMS), operationalised under the Framework for Infrastructure Delivery and Procurement Management (FIDPM). The challenging fiscal framework, as delineated in the National MTBPS, has heightened the imperative to target key socio-economic infrastructure projects to optimise service delivery for citizens.

*Departments are urged to optimise partnerships and utilise economies of scale for the delivery of socio-economic infrastructure*

Concurrently, departments are actively encouraged to optimise existing partnerships, leveraging economies of scale for joint delivery of socio-economic infrastructure and services. Recognising a strategic gap between the provincial and local spheres of government, the Provincial Treasury aims to foster synergy among all three government spheres, enhancing the effectiveness of infrastructure delivery to meet the diverse needs of Western Cape citizens.

Additional capacity is provided through two panels of experts that will review alternative funding approaches and conduct technical reviews of funding applications. This augmentation supplements the existing capacity within the Provincial Treasury and relevant departments.

Acknowledging the constricted fiscal conditions, the credibility of the project pipeline will be supported through realigning infrastructure budgets towards committed projects, delaying projects where feasible, and prioritising continued progress on key projects. It is important to note that the short-term benefits of budget balancing pose risks to medium- to long-term budgeting and funding of infrastructure, as construction inflation associated with delays could extend over the project life-cycle.



## Supply Chain Management

*The WCG SCM Strategy focuses on strategic sourcing and value-for-money outcomes*

In the ever-changing fiscal landscape, WCG's Supply Chain Management (SCM) Strategy demonstrates adaptability and resilience, adhering to governance standards. Provincial Treasury's focal points include seamless processes, strategic sourcing, and value-for-money outcomes in financial management. Technology plays a key role in enhancing transparency and enabling agile procurement, with a focus on data integrity, system security, and the Integrated Financial Management System.

The Strategy underscores the pivotal role in achieving financial capability maturity, emphasising governance, technology, strategic procurement, and capacity development. The Provincial Treasury oversees policy, ensuring the effective operation of financial systems, supply chains, and asset management. Priorities include maintaining a resilient SCM governance platform, improving ease of doing business, and leveraging data. Initiatives encompass preferential procurement policy development, e-Procurement Solution improvement, and resource optimisation in the current financial year. The Problem Driven Iterative Adaption (PDIA)

approach guides workgroups in developing a value-driven procurement system, while repositioning SCM to emphasise reskilling, supplier engagement, and technology integration for strategic procurement.

The Evergreen Legacy Systems strategy focuses on gradual upgrades, and the e-Vision for data management aims to reduce administrative burden and ensure a unified data version. Commitment to digital transformation is evident in the financial systems IT roadmap, addressing service delivery challenges through Fourth Industrial Revolution participation. The Provincial Treasury Data Warehouse consolidates data for evidence-based decision-making. Integrated thinking on technology enablement for provincial SCM systems emphasises collaboration and secure platforms. The multifaceted strategies and commitments reflect a proactive approach, driving innovation for effective financial and SCM in the WCG.

*Digital transformation commitment in financial systems, addressing service delivery challenges and embracing the Fourth Industrial Revolution*

### Deepening Governance

Over the 2024 MTEF, the WCG will strategically prioritise the refinement of its governance system to enhance efficiency, effectiveness in service delivery, and effective management of both current and emerging risks. This strategic goal entails optimising assurance and oversight mechanisms, catalysing governance transformation, and establishing a foundation for growth within the Province.

*WCG prioritises governance refinement for efficiency, oversight, and risk management*

Aligned with the requisites for public sector institutions, the WCG emphasises its commitment to implementing and sustaining effective, efficient and transparent governance, internal control, and risk management systems. Central to this approach is the continual implementation of a combined assurance model, ensuring coordinated and optimised assurance services to comprehensively address organisational risks.

To support the achievement of these objectives, the Provincial Treasury, in collaboration with the Departments of the Premier and Local Government, will continue to provide relevant assistance to departments, public entities, and municipalities. This support will be disseminated through various governance engagements and interventions, aligning with specific interventions to tackle key governance and performance challenges and mitigate associated risks.

*Targeted governance support provision for departments, entities and municipalities*

A continued focus of the WCG is to closely monitor matters that arise in relation to governance, ensuring timely identification and resolution of issues. Through ongoing engagement and intervention, the WCG aims to foster a culture of effective governance and performance management throughout the province, ultimately contributing to the delivery of quality services to its citizens.

The WCG will establish robust mechanisms for monitoring governance-related challenges, performance gaps, and risk factors. This monitoring process will involve regular assessments, audits, and evaluations to ensure compliance with governance policies, procedures, and regulations.

The WCG will promote continuous learning and capacity building and strengthening governance practices among its personnel. Furthermore, the WCG will actively engage with stakeholders, including citizens, civil society organisations, and the private sector, to gather feedback and input on governance matters. By fostering collaboration and partnerships, the WCG seeks to leverage collective expertise and resources to drive positive governance outcomes.

*WCG prioritises governance for efficiency, transparency, accountability and building public trust*

The WCG's strategic overview of governance underscores its commitment to enhancing efficiency, transparency, and accountability in the delivery of services. By prioritising effective governance practices, the WCG endeavours to build public trust, promote sustainable development, and achieve its vision of providing citizen-centric services that drive growth and prosperity in the Province.

### **Oversight and Governance of Public Entities**

The WCG maintain a steadfast commitment to bolstering the governance and oversight of public entities, aiming for enhanced effectiveness and efficiency in fulfilling both statutory and service delivery mandates within the Province. To realise this goal, parent departments are strongly urged to provide continuous support and oversight to their respective public entities, facilitating this assistance through the improvement of existing governance processes and systems.

The Provincial Treasury is positioned to play a pivotal role in offering support and oversight to both parent departments and public entities. This support will be realised through established budget and governance processes, ensuring alignment with strategic objectives and compliance with relevant regulations.

A comprehensive public entity guideline outlines the framework of responsibilities directly aligned with the objectives and mandates of each public entity. It also considers the applicable legislation governing their operations.

*Joint responsibility for risk mitigation and implementation*

The joint responsibility of parent departments and public entities is to address all areas of risk and ensure the implementation of appropriate mitigating actions. Through this collaborative effort, they can effectively manage potential challenges that might hinder the support of the WCG's priorities.

By fostering a collaborative and proactive approach to governance and oversight, the WCG aims to enhance the performance and delivery of public entities. Ultimately, this will contribute significantly to the achievement of the WCG's objectives and the provision of high-quality services to the citizens we serve.



## Integrated Service Delivery and Outcomes of SIME

The Strategic Integrated Municipal Engagements (SIME) have highlighted key areas of support called for by municipalities. These include support for economic (e.g., roads) and social (e.g., schools and public hospitals) infrastructure development, bulk services infrastructure to enable development, and critical support for alternative energy solutions. Safety and security concerns are also crucial to ensure the safety of communities and to protect critical infrastructure. In addition, the attraction of potential investors, coupled with destination marketing to promote tourism, could enable much needed economic growth and development, reducing unemployment and poverty, thereby improving the overall economic well-being of communities.

*SIME identified key areas of municipal support from the WCG related to infrastructure, safety, economic growth and investment*

The cooperation and collaboration of the different spheres of government is essential to the overall success of outcomes across government. It is important to acknowledge that the impact of government's work is felt directly at the local government level, where people live. It is therefore critical that Provincial and National government not only rely on data and analysis to gain insights into local government challenges, but also consider the feedback and inputs of local government in its planning processes.

Given the importance of inter-governmental efforts for effective service delivery, the WCG has multiple critical processes and initiatives, including the Integrated Development Plan (IDP) Engagements, Technical Integrated Municipal Engagements (TIME), SIME and the Joint District and Metro Approach (JDMA) that play a vital role to promote communication, integration and collaboration for improved planning and budgeting.

*WCG prioritises intergovernmental efforts for efficient service delivery processes*

## Conclusion

The key objectives of the 2024 WCG fiscal and budget approach is to support departments to absorb the impact of baselines reductions and to focus on driving the implementation of key programmes in the priority areas of Growth for Jobs, Safety and Wellbeing, and the enablers of Innovation, Culture, and Governance. The WCG will act responsibly and innovatively in the face of the country's fiscal and debt crisis to provide "**a budget to build your future**". The 2024 MTEF Budget Principles will continue to guide fiscal decision-making in preparation for the 2024 Budget.

## ANNEXURE 1

### Western Cape Risk Statement

#### ■ Introduction

National primary risks to the fiscal outlook over the upcoming decade include diminished potential growth, hurdles in the implementation of government's borrowing strategy, and escalating spending demands, notably within subnational government and state-owned companies. As approximately 95 per cent of the Western Cape's revenue stems from transfers by the National Government, it is evident that certain challenges will exert both direct and indirect influences on the fiscal framework of the Western Cape.

The Western Cape Government's (WCG) Fiscal Risk Statement not only recognises these national risks but also outlines additional provincial risks that warrant attention. It serves as a comprehensive assessment of the potential threats and uncertainties that could shape the financial landscape in the Western Cape, emphasising the need for proactive measures and strategic planning to navigate these complexities successfully. The Province's overarching approach is to bring critical risks within a conducive tolerance level, with the objective of limiting the impact of these risks on citizens.

#### ■ Critical fiscal and delivery risks

The key short to medium term fiscal risks to the national fiscal framework includes:

- A smaller-than-anticipated increase in both the global and domestic economic growth, which would impede revenue growth and increase the budget deficit;
- Ongoing losses for state-owned companies and municipalities could prompt requests for bailouts;
- Logistical failures at the ports and rail network which impacts negatively on exports and market access;
- The bloated size of the State administration and the resultant wage bill;
- Prolonged energy crisis;
- Possible unfunded expenditure pressures;
- Climate change;
- Crime and corruption;
- International geopolitical tensions; and
- A higher risk premium and tighter global monetary conditions translating into higher borrowing rates.

Longer-term risks include slower potential growth, challenges in executing the government's borrowing strategy, pressures on spending, especially in state-owned companies and sub-national government, and the pursuit of policy priorities not linked to sustainable financing arrangements. Managing contingent liabilities will depend on the rapid implementation of the structural reforms and the adoption of a government policy that outlines a strategic approach to managing state-owned companies.

The WCG acknowledges these national risks and recognises additional provincial risks that demand careful consideration. This recognition highlights the importance of addressing not only the broader challenges affecting the entire country but also the unique and region-specific factors that could significantly impact the Western Cape.

Effective risk management is embedded in the WCG 2024 budget process as part of the institutionalised Enterprise Risk Management (ERM) process. The ERM process enables a more citizen-centric approach to the identification of risks, while ensuring that the causes and impacts of risks are considered and assessed from a citizen perspective. The WCG will strengthen the process of risk identification, definition, analysis, mitigation, and assignment, as well as the combined corporate assurance. Change management strategies and system design interventions will form crucial elements of strategies to mitigate risks.

The 2024 budget process, through the Provincial Government Medium Term Expenditure Committee (PG MTEC) 1 engagements, identified key risks and service delivery pressures. These risks are categorised across the WCG priorities of Growth for Jobs, Safety and Wellbeing and the enablers of Innovation, Culture and Governance. Fiscal and service delivery risks are managed by appropriately applying either fiscal or non-fiscal mechanisms, or, where necessary, a combination of fiscal and non-fiscal measures. Effective risk management places emphasis on limiting the impact on each of the policy priority areas. These measures use the ERM process to ensure that risks are effectively mitigated or, if not fully addressed, that the impact on citizens is limited. Opportunities to apply innovative measures are also being explored to achieve efficiencies and effectively manage risks.

Priority	Provincial risks
<b>Growth for Jobs</b>	<ul style="list-style-type: none"> <li>• Negative impact of national logistics and ports crisis.</li> <li>• Potential delays in maintenance and new infrastructure build.</li> <li>• Likelihood of climate change impacts – energy, water, and food nexus.</li> <li>• Limited ability to respond to public transport crisis.</li> <li>• Limited personnel and skills could impact on investment promotion.</li> </ul>
<b>Safety</b>	<ul style="list-style-type: none"> <li>• Uncontrolled national crime rate.</li> <li>• Potential revised deployment strategy for LEAP</li> <li>• Possible reduction in river protection projects – increased flood damages.</li> <li>• Potential reduction in training and support to accredited Neighbourhood Watches (NHWs) and the intended expansion of the NHWs.</li> <li>• Limited ability of the Western Cape Liquor Authority to effectively enforce regulations.</li> </ul>
<b>Wellbeing</b>	<ul style="list-style-type: none"> <li>• Provincial response to GBV and domestic violence could be curtailed.</li> <li>• Probability of overcrowded classrooms and an undersupply of resources.</li> <li>• Potential lost learning and teaching contact-time.</li> <li>• Potential discontinuation of youth development programmes.</li> <li>• Probability of reduced funding for Sports and Recreation, Arts and Culture.</li> <li>• Potential increase in demand for mental health and psychosocial support.</li> <li>• Probability of reduced or discontinued subsidies to NPOs and Old Age Homes.</li> </ul>
<b>Innovation, Culture and Governance</b>	<ul style="list-style-type: none"> <li>• Managing evolving cyber security risks and services.</li> <li>• Potential cost escalation on Microsoft software licenses.</li> <li>• Potential reduction on headcount leading to capacity constraints</li> <li>• Possibility of reduced support to municipalities.</li> <li>• Potential reduction in the Community Development Worker (CDW) Programme funding will impact all government programmes supported by the CDWs.</li> </ul>

## Western Cape Government's mitigation response

The current national fiscal environment profoundly influences resource allocation to provinces. Projections indicate a medium-term increase in allocations to provinces at an average annual growth rate of 4.4 percent from 2024/25 to 2026/27. Notably, this rate is considerably lower than the anticipated average inflation rate of 4.6 percent during the same period, resulting in an approximate 0.2 percent real decrease in provincial funding.

The nationally-imposed expectation that the Province must carry the costs of the unfunded and nationally negotiated 2023 wage deal over two years carries significant risk and negative fiscal consequences for the ability of the WCG to effectively deliver on its constitutional mandates, and is subject to challenge.

Adopting new operational methodologies becomes pivotal in executing budget policy priorities amidst wage liabilities and fiscal consolidation. Seeking efficiencies through integrated or cross-cutting service delivery approaches becomes crucial to offsetting the decline in service quality due to budget reductions over the forthcoming three years.

The implementation of the new “Fiscal Futures” analysis model will enable more effective fiscal planning and allow the province to respond dynamically to a changing fiscal environment. The model will allow the WCG to predict fiscal transfers, provincial income, and expenditure more accurately. Improved fiscal planning capabilities afforded by this model lays the groundwork for informed decision making as it also allows for the exploration of fiscal scenarios over a 10-year budgeting horizon.

The fiscal strategy for the upcoming three years will adhere to the WCG's rejuvenated budget policy principles. These principles encompass:

- Responding to Fiscal Consolidation
- Enabling long-run fiscal sustainability
- Unlocking allocative efficiency and
- Enhancing productive efficiency.

In implementing these principles, several measures will be enacted, including the implementation of an effective CoE strategy to manage headcounts, identifying opportunities for alternative and innovative financing, exploring innovations for greater efficiencies, and identifying areas to boost, cut and protect. Maximising spending outcomes and impacts remains a central tenet of the WCG's budget approach. Innovation through digital transformation and technology will be a critical component to find efficiencies toward maximising beneficial impacts.

Augmenting the WCG's own revenue assumes critical importance in 2024. Departments will pursue novel approaches to optimize revenue collection. Mobilising non-governmental resources becomes central to ensuring strategy implementation in the face of a contracting fiscal scope. Key interventions will involve exploring blended financing and public-private partnerships to achieve this objective.

## ■ Conclusion

The WCG's Fiscal Risk Statement serves as a comprehensive, yet streamlined, proactive approach to navigating the challenges and risks set out in the 2023 National Medium Term Budget Policy Statement. By acknowledging the national risks and articulating additional provincial concerns, the statement demonstrates a keen awareness of the intricate interplay between the broader economic landscape and the specific fiscal dynamics within the Western Cape.

Furthermore, the delineation of targeted provincial responses highlights a commitment to mitigating potential disruptions and safeguarding the stability of the Western Cape's fiscal framework in the face of evolving economic uncertainties. Through this strategic and forward-looking perspective, the WCG establishes itself as a vigilant steward of fiscal resilience, positioning the Province to navigate the complexities of the fiscal landscape with resilience and adaptability through the delivery of **“a budget to build your future.”**

# 4

## Budget policy priorities

### In summary

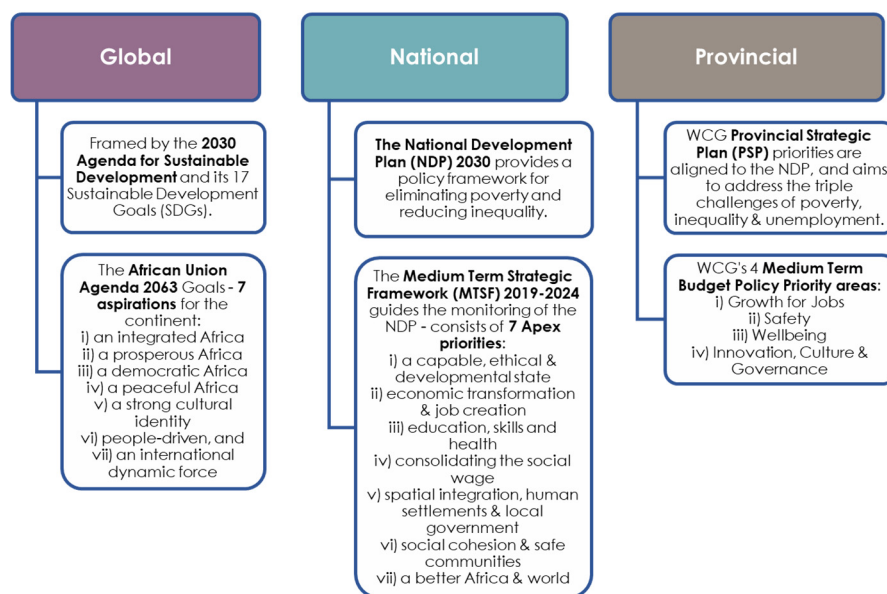
- The medium term budget policy priorities guide the Western Cape Government's resource allocations to drive programme implementation, setting the stage for a future-driven budget, benefiting the Western Cape's residents. These priorities, aligned with the Provincial Strategic Plan, centre on fostering Growth for Jobs, Safety, and Wellbeing, supported by the enablers of Innovation, Culture, and Governance.
- The Growth for Jobs Priority, supported by the Growth for Jobs Strategy, aims to foster a thriving economy, emphasising the role of the private sector in job creation and the state's facilitation of an enabling environment for businesses and individuals to seize emerging opportunities.
- The Safety Priority is fortified by the Western Cape Safety Plan, and involves three key pillars: law enforcement, violence prevention, and urban design, with ongoing interventions planned across the 2024 Medium Term Expenditure Framework to realise the related goal of building safe and cohesive communities.
- The Wellbeing Priority takes a life-course approach, by establishing strong foundations, promoting increased wellbeing, building social cohesion and service, and meeting basic needs while protecting human rights.
- The Provincial Priorities are supported by the enablers of Innovation, Culture and Governance to empower sound decision-making and the institutionalisation of good governance, so that Western Cape Government may be responsive to the needs of society and maximise the impact of resources.

### ■ Introduction

The Western Cape Government's (WCG's) medium term budget policy priorities are designed to enhance socio-economic development and encourage sustainable economic growth, thereby embodying the essence of a *budget to build your future*. This chapter provides an insightful overview of the key budget policy priorities for the Province, that enables the private sector to create jobs, and enhance safety and wellbeing efforts. These priorities are backed by the enabler of innovation, culture, and effective governance. The WCG is dedicated to creating a brighter future for our citizens, while simultaneously taking immediate action to support them during challenging times.

*The WCG budget policy priorities enables the private sector to create jobs, and enhance safety and wellbeing efforts*

## Global, national, and provincial policy context



The WCG will continue to work towards achieving the outcomes as set out in the global, national, and provincial policy context through strengthening transversal partnerships across all spheres of government, strengthening collaboration, and distributing resources efficiently across the system to mitigate against an interruption in service delivery.

## Medium term budget policy framework

### Integrated policy, planning, budgeting and implementation

The process of fiscal consolidation requires difficult policy decision-making to give effect to the WCG's budget policy priorities. These priorities, infused with the spirit of *a budget to build your future*, are designed to chart a sustainable course, fostering hope for the future of Western Cape residents. The 2023 Provincial Economic Review and Outlook (PERO), provides insight into the latest economic and socio-economic trends and outlook that impact on policy, planning and budgeting in the Western Cape.

The WCG budget process recommended areas to reduce or terminate, based on performance trends in service delivery. Interventions targeting the most vulnerable and areas of greatest impact were protected in order to manage risk and maintain hope in the Western Cape. Budget Policy Engagements emphasised strategic interdependencies between votes that require co-decision making.

Votes drew on budget principles and values outlined in Figure 4.1, to inform how budget policy priorities are translated into departmental plans and budgets, emphasising which areas will be protected, boosted and identifying those areas that will be downscaled or terminated.

The 2024 Medium Term Expenditure Framework (MTEF) will continue to drive integrated planning and budgeting through the Province's Joint District

*Implementing the WCG budget policy priorities involves making challenging policy decisions as part of the fiscal consolidation process*



and Metro Approach (JDMA) and the Innovation, Culture and Governance Priority.

**Figure 4.1 2024 MTEF principles/values to support transparency, co-ownership and collaborative leadership**



### Doing Things Differently

Achieving progressive change necessitates ongoing multisectoral engagement and creative motivation. A long-term view, investment in relationships and effective governance arrangements all need to be in place. This requires developing new service delivery models, innovative approaches to workforce reform, standardising, streamlining and sharing support services, and seeking alternative ways to finance. It also requires a smarter approach to investment in real partnerships.

*WCG will focus on specific strategies and approaches to maximise the impact of resources*

The WCG continues to adopt strategies and approaches to optimise the efficient allocation and use of resources to achieve desired outcomes. These include the following:

- **Prioritise and focus on key objectives**

The WCG places strong emphasis on prioritising and focusing on the most critical policy objectives, recognising the policies and projects with the highest impact that align with the overarching goals of ensuring growth for jobs, and improving the wellbeing and safety of the citizens of the Western Cape.

- **Embrace Innovation and Technology**

The WCG continues to leverage technology and innovation to streamline processes, reduce costs, and improve service delivery. This includes driving the integration, optimisation and transformation of the WCG Service Delivery ecosystem through the Digital Transformation Plan.





Ongoing collaboration with academic and research institutions is prioritised



The Fiscal Futures project aims to inform a risk-management approach to budget planning

- *Public Private Partnerships (PPPs)*

The WCG is actively seeking opportunities for PPPs, allowing government to leverage private sector expertise and mobilising funding for projects while sharing risks. PPPs can help deliver essential services, such as infrastructure development, without a significant strain on public budgets.

- *Evidence-based policymaking*

Rigorous research and data analysis, such as the Provincial Economic Review and Outlook and the Municipal Economic Review and Outlook are an important element used to inform evidence-based policymaking. Ongoing collaboration with academic and research institutions is prioritised, ensuring that policies are grounded in evidence, and enhancing the likelihood that desired outcomes are achieved within budget constraints.

- *Carry out strategic foresight*

The WCG's service delivery demands are increasing while its access to resources is declining. In addition, the WCG is operating in a more complex and volatile environment. In this environment, being proactive and resilient is essential for the WCG to achieve its service delivery commitments.

Futures planning is a tool that can empower the WCG to enhance productivity, anticipate uncertainty better, and future-proof its strategies and delivery models. Consequently, the Department of the Premier has launched the Futures Planning Capability project in 2023, which has a three-year horizon with annual milestones.

This project's objective is integrating futures thinking techniques into the strategic functions of the WCG. These functions include (a) developing policy, strategy, plans at the provincial and departmental levels and programmes; (b) future-testing policy, strategy, plans, and programmes; and (c) monitoring and assessing the resilience of programmes delivery models.

In addition, the Western Cape Fiscal Futures project aims to develop a fiscal planning model for the WCG to enable the Province's fiscal strategy to anticipate and respond dynamically to a changing fiscal context. The project's outputs will improve the predictability of fiscal transfers and provincial income and expenditure to enhance medium- and long-term fiscal planning. The project establishes a foundation for a risk-management approach to budget planning by dashboarding the national and provincial financial balance and position statements and enabling scenario analysis around long-term baseline projections.

By adopting these strategies and approaches, WCG can maximise the impact of resources and achieve policy goals in a sustainable and cost-effective manner.

## Medium term budget policy priorities

The medium term budget policy priorities serve as a framework to inform the allocation of capacity and resources for the purpose of driving programme implementation in preparation for a *budget to build your future* for the Western Cape's residents. Figure 4.2 illustrates the budget policy priorities emphasised for execution throughout the 2024 MTEF.

*The medium term budget policy priorities seeks to build a future for the citizens of the Western Cape*

**Figure 4.2 2024 MTEF Budget Policy Priorities per theme of the Western Cape Recovery Plan**

	<b>GROWTH FOR JOBS</b>	<ul style="list-style-type: none"> <li>WCG INVESTMENT PROMOTION STRATEGY</li> <li>WCG GREEN HYDROGEN PLAN</li> <li>EASE OF DOING BUSINESS</li> <li>EXPORT REGULATORY REFORM</li> <li>SMMES/ TOWNSHIP ECONOMIES</li> <li>PUBLIC TRANSPORT VOUCHERS</li> <li>GEORGE INTEGRATED PUBLIC TRANSPORT NETWORK (GIPTN)</li> <li>SCHOOLS OF SKILLS</li> <li>CAREER CLUBS</li> <li>YEARBEYOND PROGRAMME</li> <li>PUBLIC EMPLOYMENT PROGRAMMES</li> <li>ELSENBURG AGRICULTURAL TRAINING INSTITUTE</li> </ul>	<ul style="list-style-type: none"> <li>ROLLOUT OF HEALTH, EDUCATION &amp; ROADS INFRASTRUCTURE PROJECTS</li> <li>MIXED HOUSING PROJECT</li> <li>ECOLOGICAL INFRASTRUCTURE THROUGH ALIEN CLEARING</li> <li>WC INTEGRATED DROUGHT AND WATER RESPONSE PLAN</li> <li>MUNICIPAL ENERGY RESILIENCE INITIATIVE</li> <li>ELECTRIC VEHICLES</li> <li>WC CLIMATE CHANGE RESPONSE STRATEGY</li> <li>ENVIRONMENTAL IMPACT ASSESSMENTS (EIAS)</li> <li>ATMOSPHERIC EMISSION LICENSES (AELS)</li> <li>WCG ENERGY PROJECTS</li> </ul>	
	<b>SAFETY</b>	<ul style="list-style-type: none"> <li>LAW ENFORCEMENT ADVANCEMENT PLAN (LEAP)</li> <li>K-9 UNITS</li> <li>PROVINCIAL SUSTAINABLE TRANSPORT PROGRAMME (PSTP)</li> <li>TRANSPORT REGULATION PROGRAMME</li> <li>ENFORCE TRAFFIC LAW ENFORCEMENT PLATFORM</li> <li>SHUKUMA PROGRAMME</li> <li>CHRYSLIS ACADEMY</li> <li>WESTERN CAPE LIQUOR AUTHORITY (WCLA)</li> </ul>	<ul style="list-style-type: none"> <li>NEIGHBOURHOOD WATCHES (NHWS)</li> <li>COMMUNITY POLICING FORUMS (CPFS)</li> <li>GENDER-BASED VIOLENCE (GBV) STRATEGY</li> <li>WESTERN CAPE GBV IMPLEMENTATION PLAN</li> <li>COURT WATCHING BRIEFS (CWBS)</li> <li>AREA BASED TEAMS</li> <li>VIOLENCE PREVENTION UNIT</li> <li>REGIONAL SOCIO-ECONOMIC PROJECT (RSEP)</li> </ul>	
	<b>WELLBEING</b>	<ul style="list-style-type: none"> <li>EARLY CHILDHOOD DEVELOPMENT (ECD)</li> <li>EARLY LEARNING PROGRAMME</li> <li>BACK ON TRACK (BOT) PROGRAMME</li> <li>ONE HEALTH PRIORITY</li> <li>EARLY DETECTION AND PREVENTION HEALTH STRATEGIES</li> <li>MENTAL HEALTH SERVICES</li> <li>PSYCHOSOCIAL SUPPORT</li> <li>SPORT FEDERATIONS</li> <li>LITERACY AND READING PROGRAMMES</li> <li>SPORTING, ART AND CULTURAL ACTIVITIES</li> <li>AFTER SCHOOL PROGRAMME</li> <li>MASS PARTICIPATION, OPPORTUNITY AND ACCESS; DEVELOPMENT AND GROWTH (MOD) PROGRAMME</li> </ul>	<ul style="list-style-type: none"> <li>CHILD PROTECTION</li> <li>CHILD AND YOUTH CARE CENTRES</li> <li>LIBRARY SERVICES</li> <li>COMMUNITY NUTRITION DISTRIBUTION CENTRES (CNDCS)</li> <li>SCHOOL NUTRITION PROGRAMME</li> <li>RAPID SCHOOL BUILD PROGRAMME</li> <li>SPECIAL NEEDS EDUCATION</li> <li>PERSONS WITH DISABILITIES SERVICES</li> <li>OLDER PERSONS SERVICES</li> </ul>	
	<b>INNOVATION, CULTURE &amp; GOVERNANCE</b>	<ul style="list-style-type: none"> <li>JOINT DISTRICT METRO APPROACH (JDMA)</li> <li>EFFECTIVE LOCAL GOVERNANCE: FINANCIAL SUSTAINABILITY OF MUNICIPALITIES</li> <li>INTEGRATED PROVINCIAL GOVERNANCE</li> <li>CITIZEN-CENTRIC CULTURE</li> <li>CIVIC EDUCATION SESSIONS ON PUBLIC PARTICIPATION</li> <li>COMMUNITY DEVELOPMENT WORKER PROGRAMME</li> <li>THUSONG PROGRAMME</li> <li>DISASTER MANAGEMENT</li> </ul>	<ul style="list-style-type: none"> <li>STRATEGIC SUPPLY CHAIN MANAGEMENT</li> <li>E-PROCUREMENT SOLUTION</li> <li>PROCUREMENT CLIENT CENTRE</li> <li>FUTURE FIT SKILLS STRATEGY</li> <li>RECONFIGURATION OF THE PROVINCIAL TRAINING INSTITUTE</li> <li>BROADBAND INITIATIVE</li> <li>E-CENTRES PROGRAMME</li> </ul>	

### Theme 1: Growth for Jobs

Launched in July 2023, the Growth for Jobs Strategy (G4J) is premised on the recognition that the private sector creates jobs, while the state needs to create an environment in which people and businesses are enabled to create and exploit opportunities as they arise. The goal is that by 2035, the Western Cape will be a R1 trillion inclusive economy in real terms and growing at between 4 and 6 per cent per annum.



The G4J Strategy speaks to a synergy for break-out and inclusive economic growth in the Western Cape. This will be achieved by enabling the business environment, stimulating market growth, and supporting growth opportunities.

*G4J strategy is underpinned by three pillars: Enabling the business environment; stimulating market growth; and supporting growth opportunities*

The three pillars are to be realised through seven dynamic G4J Provincial Focus Areas (PFAs): (i) Driving opportunities through Investment; (ii) Stimulating Market Growth through Exports; (iii) Improved access to employability/opportunities; (iv) Infrastructure and the Connected Economy; (v) Water security and resilience; (vi) Energy sustainability and transition to net carbon zero; and (vii) Innovation and Technology.

Underpinning these PFAs is an urgency to address binding constraints through making it easier to do business.

### Driving opportunities through Investment

The Province's investment promotion strategy will be undertaken through three agencies namely Wesgro, Atlantis Special Economic Zone (ASEZ) and Freeport Saldanha Bay Industrial Development Zone (FSBIDZ). The aim is that private-sector investment will account for 20 per cent of regional GDP (translating to R200 billion) by 2035.

*Investment promotion activities will require improving the regional economy's global competitiveness and ensuring that the Province is positioned for future growth*

Wesgro has been mandated to undertake investment promotion and facilitation activities to attract both new investments and support existing firms with expansion initiatives. This will require improving the regional economy's global competitiveness and ensuring that the Western Cape is positioned for future growth. As the nexus between the private sector and government, the Agency has an important role in convening business to work more closely with the public sector in addressing real challenges affecting industry. In this regard, Wesgro aims to facilitate more than R100 billion in investment by 2035.

The ASEZ will provide manufacturers of green technology products with affordable industrial facilities, linked-up support services and incentives within a national programme. This will provide investors with the opportunity to develop value chain clusters for the local and export market, with backward and forward linkages into the broader regional economy. The entity will focus on sustainable manufacturing, creating a living Eco Industrial Park that pushes the boundaries of sustainable, resilient and inclusive manufacturing. The ASEZ continues implementing its plan to attract investment towards its target of R3 billion over five years.



The FSBIDZ will support the oil and gas and marine repair engineering and logistics services complex, serving the needs of the upstream exploration and production service companies operating in the oil and gas fields in Sub-Saharan Africa. FSBIDZ plans are to leverage the advantages of a Freeport value proposition, establish the Freeport as a comprehensive energy value chain hub, including fast emerging Green Hydrogen opportunities and upgrade current infrastructure.

## Western Cape Government Green Hydrogen Plan

Green Hydrogen (GH<sub>2</sub>) is a clean energy source that can reduce emissions from hard-to-abate industries, such as steel, cement, and aviation. These industries account for 32 per cent of global CO<sub>2</sub> emissions and cannot use batteries. South Africa has a national plan to develop a GH<sub>2</sub> economy with the support of the private sector and the World Bank. The Western Cape is a key region for GH<sub>2</sub> production and export, with a strong potential and existing infrastructure. Saldanha Bay will be the hub for GH<sub>2</sub> generation, processing, and distribution. The WCG has a plan to collaborate with various departments and entities to achieve the following objectives by 2026:

- Facilitate economic growth and employment creation through GH<sub>2</sub>.
- Contribute to South Africa's GH<sub>2</sub> vision and industry development, including local manufacturing of equipment.
- Work towards net carbon zero emissions and climate change goals.
- Ensure energy resilience in a renewable energy system.

Wesgro is also developing a roadmap for GH<sub>2</sub> development in the Province until 2050. GH<sub>2</sub> will help achieve the goals of the G4J Strategy and boost the country's GDP growth.

Saldanha is recognised as having a strong green hydrogen potential and consequently, features within the national planning frameworks and strategies. The hydrogen opportunity is greater than any one region or location, underpinning the collaboration between the Northern Cape, Western Cape and Eastern Cape. Underpinning this, an MOU has been signed between the Western Cape, Northern Cape and Eastern Cape.



Source: Department of Economic Development and Tourism, and Department of the Premier

## Stimulating Market Growth through Exports

Key areas for break-out economic growth include accessing global markets through the exports of products, services and international tourism. Exports allow producers to diversify their customer base and increase sales, making economies of scale possible, which collectively help raise productivity.

The goal is that the value of Western Cape exports of goods and services (inclusive of tourism) will triple by 2035. This strong domestic market capability will enable the Western Cape to be a leading global export region in a diversified basket of goods and services and a sought-after tourism destination known for its quality, reliability and cost-effective goods and service offerings.

The Western Cape Department of Economic Development and Tourism (DEDAT) will be exploring export regulatory reform through an analysis of the overall regulatory environment impacting the business start-up ecosystem, identifying inhibitory regulations across the different levels of Government. DEDAT is developing a Port of Cape Town Container Logistics Dashboard which is a logistics planning tool to enable improved strategic and operational decision-making by all agencies. The initial focus is on the Port of Cape Town, with further developments enabling visibility of the full value chain.

Wesgro will facilitate direct market access by establishing and promoting Western Cape brands for exports (incl. tourism), identifying and pursuing



*Export regulatory reform will be explored, identifying and pursuing export opportunities in Africa, and creating a competitive export environment with the Air Access Initiative*

export opportunities in Africa and using technology for enhanced matchmaking. The entity will stimulate market growth through exports and domestic markets utilising the Cruise Cape Town Initiative (increasing the numbers of Cruise liners that berth at Cape Town) and Cape of Great Events initiative (attracting large events to Cape Town). Lastly the entity will create a competitive export environment with the Air Access Initiative (increasing airline seat capacity and routes to Cape Town).

### Improved access to employability/opportunities

WCG aims to facilitate long-term employment opportunities through the provisioning of experiential learning, skills development, accreditation and qualifications for unemployed youth through several occupations in high demand.

DEDAT's experiential programmes target approximately R168 million in additional household income and an economic impact of more than R2 billion per annum.

*Focus will be on the development of new and amendment of existing academic instruments, ensuring academic responsiveness aligns with dynamic industry demands*

Together with the Department of Higher Education, the Department of Basic Education, and the Western Cape Education Department (WCED), DEDAT will facilitate the development of new and amendment of existing academic instruments that address academic responsiveness in meeting the dynamic firm needs. A key opportunity identified in amending curricula was within the Life Orientation subject where Career Clubs were launched at school level, providing learners with improved options available post school. DEDAT will develop new modalities in delivering academic instruments that are more cost effective than the existing models, including distance learning in the BPO sector, thereby reducing face-to-face engagements. In this regard, the University of the Western Cape is pioneering technology with regard to Augmented Reality (AR) and Virtual Reality (VR) technology in their learning programmes.

The Department of Mobility intends to initiate a pilot project to improve access to job opportunities through the provision of free public transport vouchers to 65 000 jobseekers in 2023/24. The proposed voucher pilot will be available on Golden Arrow Bus Services (GABS), and target beneficiaries identified via employers, for example jobseekers who have upcoming interviews with selected employers.



The George Integrated Public Transport Network (GIPTN) is a priority that provides the citizens of George municipality with access to safe, dignified and job-creating public transport. GIPTN conducts over four million passenger trips annually, and currently covers 70 per cent of households in George. The roll out of the next phase, Phase 4A, will result in additional revenue trips to be added to the system. The project team is dedicated to ensuring increases in revenue, with an anticipated 25 000 to 30 000 boardings at full system rollout.

Youth unemployment remains a key challenge in the Western Cape that impacts on social cohesion, crime, economic wellbeing and inequality. The Schools of Skills is prioritised over the medium term to better prepare our youth with skills for employability. Growth through experiential learning will be implemented, focusing on the Clothing and Textile sector. Life Orientation with a career focus will be provided through Career Clubs<sup>1</sup>. The YearBeyond Programme provides first work opportunities to between 3 000 and 4 000 youth per annum, providing candidates with a mentor and supports a pathway into studies or work after the programme. The Public Employment Programmes, such as the Expanded Public Works Programme and the Community Development Worker Programme, will continue to facilitate the creation of short and medium term work opportunities for the unemployed; as well as experiential learning programmes, which looks to provide skills, on the jobs training and qualifications that lead to permanent employment. DEDAT aims to improve access to economic opportunities and employability through improved capabilities of the youth workforce.

*To address youth unemployment, the YearBeyond programme, and Public Employment Programmes will maintain a priority*



Continuation of the SMME Booster Fund will focus on crowding in more public sector partners such as the Sector Education and Training Authorities (SETAs), and development foundations, such as the Allan Gray Africa Entrepreneurship Foundation.

Work targeting the informal sector and township economy will continue through various means, including the Booster Fund. A minimum of R3 million has been allocated and ring-fenced for 2024/25 to stimulate and grow entrepreneurship in the township and informal sector. A proposed partnership with the National Business Initiative (NBI) and selected Technical and Vocational Education and Training (TVET) colleges should see the unlocking of huge youth entrepreneurial potential in the Garden Route and West Coast districts.

*The informal sector and township economy will continue to be prioritised*

The Elsenburg Agricultural Training Institute, established in 1898, remains a priority for the Western Cape Government. Offering certified Higher Education Training programmes, practical learning, and short courses, the institute aims to graduate 80 students with agriculture qualifications and engage 2 500 students in skills development programmes by 2023/24. This commitment supports the growth of the agricultural sector in the Western Cape.

<sup>1</sup> Career clubs are social clubs at school that focus on providing high school learners with valuable opportunities to explore different career paths, gain exposure to the world of work, and develop essential life skills.

## Unleashing South Africa's Youth Dividend

The demographic advantage of Africa's youthful population, comprising over 60 per cent within the 15 - 24 age group, presents an opportunity for economic growth if actively engaged in employment, education, or training. However, despite this potential, youth unemployment remains a significant challenge across the continent. South Africa, with its youthful population, faces high levels of youth unemployment, leading to social tensions and protests. Statistical evidence reveals alarming unemployment rates for the 15 - 24 and 25 - 34 age groups, indicating the vulnerability of young job seekers to negative long-term consequences.

The NEET (Not in Employment, Education, or Training) category is a cause for concern, with a substantial portion of South Africa and Western Cape's youth falling into this category. Prolonged periods of being 'NEET' can lead to chronic unemployment and perpetuate intergenerational poverty. To address this, there is a need to invest in youth employment programmes focusing on building resilience and future-thinking capabilities, ensuring the acquisition of necessary transitional skills for a dynamic labour market.

The Siyakha Youth Assets study emphasises the importance of developing human capabilities through technical and social skills to enhance the employability of young job seekers. The evidence suggests a differentiated approach within the youth cohort, with the 15 - 24 age group needing soft skills and psychosocial enrichment, while the 25 - 34 age group may benefit from entrepreneurial and business development support.

The WCG's response to youth unemployment includes initiatives like the Expanded Public Works Programme (EPWP) and the Premier's Advancement of Youth (PAY) programme, providing job opportunities and internships. Education and training efforts include the YearBeyond programme, focusing on mentorship and psychosocial support for 'soft' or transitional skills improvement. Various bursary programmes and opportunities through institutions like the Elsenburg Agricultural Training Institute are also provided to support the youth.



Source: Provincial Economic Review and Outlook, 2023

## Ease of doing business

*Significant emphasis placed on supporting municipalities to improve their regulatory environments*

The WCG's vision is to be the leading province in South Africa where it is easier to do business. A recent independent assessment reported R541 million in economic savings or benefits realised within 2022/23, due to regulatory reform interventions. The interventions planned includes strengthening the regulatory reform efforts across government, including municipalities. Over the next three years a significant emphasis will be placed on supporting municipalities to improve their regulatory environments to be more conducive to investment, exports, infrastructure development and entrepreneurship development.

## Infrastructure and the Connected Economy

The Western Cape is committed to deliver infrastructure solutions (physical, digital and hybrid) to support break-out economic growth and a connected economy. The WCG is developing the Western Cape Infrastructure Framework (WCIF) 2050, which aims to maximise social and economic benefits for citizens, attract private sector investment, align to existing plans and structures, and showcase innovation and integrated infrastructure growth.

Over the 2024 MTEF, the WCG has prioritised various infrastructure projects aligned to the Western Cape G4J strategy. These include the continued rollout of health and education infrastructure projects that address the growing demand for services. Additionally, the Western Cape's Mega-Maintenance Programme will accelerate delivery and management of infrastructure maintenance as a catalyst for targeted economic growth opportunities.

Furthermore, a mixed housing project will utilise infrastructure as a catalyst for targeted economic growth opportunities. This project will entail efficiently designing, funding and developing respective sites (Leeuloop and Founders Garden) as residentially led, integrated, mixed use and mixed income development.

Over the next three to five years, the Department of Infrastructure (DoI) will implement the Living Cape: A Human Settlement Framework. It focuses on integrating human settlements and overcoming governance hindrances. Key initiatives include adopting an area-based planning approach, prioritising the Affordable Housing Programme, accelerating title deed transfers, densifying integrated settlements, and bolstering capabilities for large infrastructure projects like the Conradie Better Living Model Exemplar Project and the Vredenburg Urban Revitalisation Project.

*Infrastructure projects are prioritised and aligned to the Western Cape G4J Strategy*





## Roads infrastructure provision

The new Western Cape Department of Infrastructure focuses on maintaining and rehabilitating aging infrastructure, especially road networks, to support a safe and efficient transport system. The Department also sought external funding to support spatial transformation along transport corridors, in line with the national development framework. The Department aimed to foster sustainable socio-economic development in the region. The recognition of the Roads Branch with the Consulting Engineers South Africa (CESA) Visionary Client of the Year Award in 2022, underscores the Department's visionary and innovative approach to infrastructure management.

Some of the success projects and projects underway include: The preliminary design for the upgrade of the road network around the N1/N7 Wingfield Interchange continued for the development of the Southern Corridor of the Cape Town Integrator. The detailed designs, and related processes for the upgrading of N7 to freeway standards and R300 northern extension that forms part of the Northern Corridor of the Cape Town Integrator, also continued during 2022/23 financial year. The dualling of Main Road 201 in Paarl commenced, with a contribution from the Drakenstein Municipality, to support development in the area. Roadworks from Wellington to Windmeul and Bainskloof Pass reached practical completion in 2022/23. The last phase of the upgrading of Baden Powell Drive (the R310) between Annandale Road and Polkadraai Road continued in 2022/23.



Source: Department of Infrastructure

The Lower Olifants River Water User Association (LORWUA) canal is vital for the regional economy. This concrete-lined canal supplies bulk water for agriculture, industries, and municipalities in Matzikama Municipality. Ongoing preventive maintenance, supported by the WCG, prevents failures and ensures reliable water delivery. In 2022/23, LORWUA received R6.7 million for preventive maintenance on the 268km canal system, serving around 840 farms with 12 000 hectares of irrigation. The Department of Agriculture (DoA) remains committed in supporting LORWUA over the 2024 MTEF.

*SIDAFF supports municipalities with financing options for catalytic infrastructure*

The Sustainable Infrastructure Development and Finance Facility (SIDAFF) was created to provide municipalities in the Western Cape with financing options for catalytic infrastructure. The WCG seeks to promote a more comprehensive and integrated approach to the development of municipal infrastructure based on coordinated and sustainable principles. The French government, via the Agence Française de Développement (AFD), aids with the initiative. The programme is currently in Phase 2 and expedite the project preparation of catalyst municipal infrastructure projects for alternative financing, such as advancing projects from bankability to feasibility.



The WCG intends rolling out the Broadband 2.0 project, providing and strengthening broadband within public buildings and sites across the Province. Furthermore, the WCG eCentre Programme will accelerate the rollout of eCentres to close the digital divide in the Province. More detail on Broadband 2.0 and the WCG eCentre Programme is discussed later in this Chapter.

## Water Security and Resilience

As the Western Cape's population grows, ensuring water security becomes increasingly critical. The Western Cape's recent experience with severe drought illustrated the impact that poor water security has on citizens and the economy. The key challenges facing the Province are the distribution, management, and availability of water, with climate change deepening these challenges.

The goal of the Province is to double the amount of water available for secondary and tertiary economic sectors (primarily from non-productive use) by 2035 and honour existing allocations to agriculture. The Department of Local Government (DLG) will be procuring hydrogeological professional services to provide support to municipalities with overall groundwater related interventions and initiatives. Furthermore, the Department of Environmental Affairs and Development Planning (DEA&DP) will be analysing land user needs and identifying an appropriate method to measure water quantity and quality gains resulting from clearing invasive alien vegetation. The DoA will be involved in ecological infrastructure through alien clearing.

Safeguarding of our natural water resources through the DEA&DP's pollution control management and enforcement interventions is equally important. Due to the widespread nature of infrastructure failures, the impact of loadshedding on all wastewater infrastructure and the uncontrolled spread of un-serviced informal settlements negatively impacts the health and wellbeing of communities, as well as food security concerns. These compliance and enforcement interventions ensures that harmful pollutants released are effectively addressed.

*The goal of WCG is to secure the natural water resources of our Province*



*Compliance and enforcement interventions to safeguard our natural water resources is a WCG priority*

### Mitigating Ecosystem Threats in the Western Cape

Ecosystem degradation in South Africa is significantly exacerbated by the invasion of alien plants, a phenomenon contributing to annual damages totalling R6.5 billion. The national government allocates more than R400 million each year to clear these invasive trees, yet their encroachment persists nationwide.

The proliferation of alien trees poses a triple threat: it jeopardizes biodiversity, elevates the risk of intensified and frequent wildfires, and exacerbates water scarcity, particularly critical in drought-prone regions like the Western Cape. Recent models project that the comprehensive removal of invasive alien trees from fully infested catchment areas could result in a substantial increase in streamflow, ranging between 15.1% and 29.5%.

Ensuring the safeguarding and efficient management of the national ecological infrastructure and natural resource foundation is paramount. This strategy aims to secure sustainable and equitable access to water and other natural resources for both present and future generations.

Over the past four financial years, a notable investment of R134 million has been made by the WCG, leading to the clearance of 18 154 hectares and the creation of 129 675 person-days of employment. The initiative has also conserved approximately 121.5 million cubic meters of water, equivalent to the volume of the Berg River (127 million cubic meters), a project that would cost an estimated R4.2 billion today.

*Source: Department of Agriculture, theconversation.com*

Extreme weather events in the Province, like the drought that occurred from 2015 to 2019, are predicted to occur more frequently in the future due to anthropogenic climate change. Therefore, municipalities, farmers, and industries have serious concerns about water security and climate resilience, particularly considering a growing population and economy.

*The MIT and WBT was developed to address water security in the Province*

The Western Cape 15-year Integrated Drought and Water Response Plan was developed to address water security in the Province. Various tools have been developed, which include the Municipal Infrastructure Tool (MIT) and the Water Balance Tool (WBT).

- **Municipal Infrastructure Tool:** A MIT provides an overview of the available water resources, the state of the infrastructure, and problems with the bulk water supply system in each Western Cape town. The tool aids in the planning, development, and maintenance of infrastructure related to water supply, treatment, and distribution. This tool helps municipalities identify infrastructure gaps, prioritize investments, and allocate resources efficiently to ensure water security and resilience.
- **Water Balance Tool:** The Water Balance Tool is a critical instrument for understanding and managing water resources in the Western Cape. It helps in monitoring and assessing the water balance in the region. By calculating the water balance, authorities can understand the state of their water resources and the impacts of factors like climate change and human activities. This tool helps in making informed decisions regarding water allocation, conservation, and demand management.



### Energy resilience and transition to net carbon zero

Electricity is currently the number one binding constraint to economic growth and job creation, caused by the shortfall in electricity production. Over and above this, South Africa is one of the world's most carbon intensive economies, with dire implications for the environment and the economy.

The key energy thrusts of G4J are: ensuring the availability of affordable, reliable electricity supply; creating an enabling environment for the transition from fossil fuels to renewable sources of energy; and leveraging the energy transition as a source of a competitive advantage for the Western Cape's economy.

*Greater focus prioritised on energy, to reduce our reliance on Eskom*

The goal of the Western Cape's Energy Resilience Programme is to reduce the Province's reliance on Eskom of between 1 800 to 5 700 MW by 2035, and to attract between R21.6 billion and R68.4 billion in related investment. This will be achieved through disaster mitigation and strategic planning and management (loadshedding impact reduction), increased investment in the energy sector, network development, generation, procurement, and trading of low carbon energy and achieving energy efficiency at scale (demand management).

## Electric Vehicles

The DoM will facilitate the Western Cape's transition to electronic and other low-carbon vehicles. DoM will be working with Government Motor Transport (GMT) in implementing its Electric Vehicle Strategy, including in the public transport sector. Projects which have been identified and in some cases already implemented, include the procurement and testing of 13 electric vehicles, the planning of a provincial electric vehicle charging network, research into the conversion of existing vehicles to electric vehicles, battery recycling and repurposing opportunities, the development of a technology management platform, and a 3 phase 5-year implementation plan.



### Current Energy Context

South Africa suffers from frequent and severe loadshedding due to energy supply shortages, caused by various factors such as aging power plants, coal quality, labour issues, and infrastructure failures. According to The Outlier, there were 62 days of loadshedding in the first half of 2022. This expanded to 180 days in the first half of 2023. This means there was only one day without loadshedding in the first six months of 2023.

The energy crisis affects the financial sustainability of municipalities and consumers, who face rising electricity costs and seek alternative energy sources. The crisis also hampers South Africa's efforts to reduce greenhouse gas emissions and avoid carbon border taxes from export markets.

Eskom's generation performance improved slightly in 2023, with some units returning to service and fewer unplanned outages.

## Energy: Key Challenges

The Western Cape is estimated to have lost between R48.6 billion and R61.2 billion in real GDP since loadshedding was first introduced. In 2022, the real GDP lost to the Western Cape was estimated at R8.2 billion. The estimated cost of loadshedding on the Western Cape's economy, in stage 4, amounts to R43 million per day, and at higher stages, the costs can increase significantly as some companies' outputs drop to zero. A study showed that loadshedding has a severe impact on the viability and growth of businesses in the Western Cape, with about 9 per cent of the surveyed businesses at high risk of insolvency due to power cuts.

## Western Cape Government Energy Projects



As part of the WCG's endeavours towards achieving energy resilience and transition to net carbon zero, the following energy projects are prioritised (see Annexure 1 for the adjusted preliminary budget allocations):

- **Alternative Energy Support:** The project aims to provide funding for alternative energy systems (e.g., solar PV, inverters, and UPS) for SMMEs to eliminate operational downtime.
- **Pilot Renewable Energy Solutions in Municipalities:** To pilot a town in a municipality to be loadshedding free up to stage four (4) occasioned by a combination of energy solutions.
- **WC Integrated Resource Plan (IRP):** The development of an evidence-based guide on Western Cape strategic priorities, targets, and energy infrastructure development.
- **Implementing the 2050 Low Emissions Pathway:** This project is the first project coming out of the 2050 Emissions Pathways. The Pathways identified the need for a more detailed analysis of short-lived climate forcers for the Western Cape.
- **Demand Side Management Programme (DSM):** This project entails the co-ordination of the DSM programme towards reducing electricity demand, savings costs, right-sizing alternative energy systems, and lobbying for and enabling exemption from loadshedding.
- **Green Economy Ecosystem Support ("GEES"):** To facilitate the growth of the green economy ecosystem businesses with a focus on energy and water (on the supply side), and the uptake of green economy-related technologies, goods, and services (on the demand side).
- **High Energy Users Mapping Profile:** The project aims to understand the current and future energy needs of alternative energy systems in place and barriers for large private sector electricity users in the Province. This is used to help identify where municipalities need to facilitate private sector projects.
- **Municipal Wheeling Enablement:** Build on the tools developed in 2022/23 to enable electricity wheeling on municipal grids in the Province.
- **Municipal IPP procurement - Project Manager (PM):** To provide PM support to Stellenbosch Municipality for a Municipal IPP procurement project (incl. to manage the TA).
- **Municipal IPP procurement - Transaction Advisor:** To provide TA support to Stellenbosch Municipality for a Municipal IPP procurement project.
- **Municipal Pooled Buying:** The project aims to develop a commercial business case for the establishment of the municipal pooled buying facility/approach in five municipalities (Stellenbosch, Drakenstein, Saldanha Bay, Mossel Bay and the City of Cape Town).
- **Project Preparation Facility for municipalities in the Western Cape.**
- **Exploring gas power:** This project entails exploring the use of gas as a fuel for generation and concluding whether or not to promote the use of this approach in the Western Cape.
- **Green Hydrogen (GH<sub>2</sub>) development:** The development of GH<sub>2</sub> opportunities in the Western Cape (Saldanha Bay hub and Western SADC corridor).

- Land for utility-scale energy generation and energy storage (Government and private owned). This project entails making government (WCG/municipal) land available for utility-scale energy project usage.
- Solar PV at Western Cape Education Department (WCED) Schools: This project aims to implement Solar PV with battery backup at 100 schools.
- Emergency load shedding packs: Emergency loadshedding packs will be distributed and targeted to include the 2023 grade 11s (i.e. 2024 matrics) and the grade 1 learners of lower quintile schools to mitigate the impact of loadshedding, by equipping them with a lighting and charging solution.
- Schools LED lighting: Replacement of school lighting with LED fittings.
- PV systems in Provincial health buildings & facilities: PV System with capital contribution installed by ESCo along with interventions for shared savings at 15 hospitals, and 70 Western Cape primary health care clinics will be provided with a hybrid inverter.
- Grid, transmission & distribution infrastructure upgrade planning (including infrastructure mapping): Infrastructure plan prioritised, funding plan finalised, mechanisms for 3rd party funding defined. Mapping of energy infrastructure across the Western Cape.
- Just Energy Transition Investment Plan: Investment plan for the required energy projects and infrastructure that will be used.
- Financial and Funding Systems: Mapping funding and financing landscape and determining a strategic approach for the WCG.

### Opportunities

The solutions lie in a complete overhaul of the power sector, which is underway, including the unbundling of Eskom and increasing diversification and decentralisation. The regulatory, process and other changes needed are radical and are happening at an unprecedented rate. The WCG, the Metro and local municipalities have a critical role to play in the new landscape, and in providing and/or enabling solutions.

Source: *Western Cape Department of Economic Development and Tourism and Department of the Premier*

## Innovation and Technology

DEDAT will maximise the access to national incentive programmes with respect to R&D and innovation to position the Western Cape as Africa's hub of venture capital, digital, tech, innovation and start-ups. The Department of the Premier will be focused on building and strengthening public service innovation capabilities towards improving service delivery.

## Climate Change

Climate change represents a threat to the economic prosperity of the Province due to the indirect effects of the rising cost of embodied greenhouse gas emissions in our exports and the global shift away from coal and oil-based energy and transportation.

The Western Cape Climate Change Response Strategy: Vision 2050 is focused on action with the goal of a net carbon zero and climate-resilient Western Cape by 2050. The Strategy reflects the current realities, priorities and responses; providing policy direction for sector departments, municipalities and implementation partners outside government to collectively achieve the Vision. The Strategy is supported by a detailed action-oriented Implementation Plan, with a 2050 Emissions Pathway and a 2050 Adaptation Pathway.



*The Climate Change Priority is aligned to the Western Cape Climate Change Response Strategy: Vision 2050*



## A Response to climate change

The Western Cape confronts economic threats from climate change as emission costs rise, and the global energy landscape shifts away from traditional sources. To navigate this challenge and promote resilience, the Climate Change Response Strategy: Vision 2050 sets the ambitious goal of achieving carbon neutrality by 2050, providing a comprehensive guide for various sectors, municipalities, and collaborative partnerships.

This strategy serves as a catalyst for innovative projects, fostering low-carbon development, bolstering climate resilience, enhancing ecosystems, and stimulating job creation across the Province.

In response to the evolving climate landscape, government is actively implementing Green Economy initiatives. This includes supporting municipalities in procuring power, thereby diversifying energy sources and reducing reliance on conventional methods. Simultaneously, the Sustainable Water Management Plan takes a multifaceted approach, addressing demand, supply, governance, and communication to ensure a sustainable water future.

Concurrently, efforts are underway to enhance public awareness, fostering a collective sense of responsibility. Stakeholder empowerment takes centre stage, with dedicated support for climate finance applications. Tackling the specific challenge of invasive alien species involves a coordinated eradication strategy in priority catchments.

Underpinning these comprehensive endeavours is the adoption and implementation of the Ecological Infrastructure Investment Framework. This framework lays the groundwork for a holistic and sustainable approach to environmental management in the Western Cape, ensuring that economic prosperity aligns with environmental responsibility.



Source: Western Cape Department of the Premier



Continuous removal of alien vegetation from river systems and the sustained restoration of indigenous plant species is a vital initiative that serves the dual purpose of conserving water resources and safeguarding the ecological integrity of the environment. The DoA plans to clear 30 000 hectares of alien vegetation in 2023/24 to restore natural ecosystems and biodiversity.

Environmental Impact Assessments (EIAs) are critical in evaluating the potential environmental consequences of proposed projects or activities. The WCG target to complete 90 per cent of all EIAs within the legislated timeframe promotes a balanced approach to development that safeguards the environment.

Atmospheric Emission Licenses (AELs) play a crucial role in the regulation of air emissions in the Western Cape. AELs help monitor and control the release of air pollutants, such as greenhouse gases, particulate matter, and volatile organic compounds, which can have detrimental effects on human health and the environment. The WCG is committed to issue 100 per cent of all AEL's within the legislated timeframes.

The intense flooding in the Western Cape in June and September 2023 emphasises the need for proactive disaster management approaches. The

*Commitment to issue 100% of all AEL's within the legislated timeframes*

Province's Disaster Management programme continues to play a vital role, in particular, assisting affected farmers during their recovery phase.

### Impact of Flood Damage

Floods can cause extensive damage to roads, bridges, and buildings; ruin crops and farmland, and contaminate water sources. One of the most immediate and tragic impacts of floods is the potential for loss of life. In terms of economic impact, flood damage is substantial. It includes the costs of rebuilding and repairing infrastructure, compensating for property damage, and addressing the long-term economic consequences such as business closures and reduced productivity.



### Impact on Asset Planning and Economy

- Postponing upgrades to infrastructure, has a detrimental effect on not only the economy where the road is surfaced, but also on agriculture as the "farm to table" supply chain is affected.
- Postponing rehabilitation has an inherent effect on routine road maintenance, abortive works, as well as claims against the state for damages as a result of potholes forming because of rehabilitation not occurring at the right time.
- Postponing reseals, will likely lead to rehabilitation as well as an increase in maintenance needs, but it may also cause the project to lose the opportunity to do periodic maintenance.



Mitigating the impacts of flood damage requires a combination of effective disaster preparedness, early warning systems, land-use planning, and sustainable development practices. Additionally, climate change considerations are crucial, as changes in weather patterns can influence the frequency and intensity of flooding events.

## Theme 2: Safety

The WCG supports and enhances both municipal and provincial law enforcement capabilities. The Western Cape Safety Plan aims to increase and improve crime-fighting capacity through the use of data and technology. The WCG's Strategy for Safety includes the three pillars of law enforcement, violence prevention, and urban design.

Safety also includes being protected from harm or danger. Disaster management and safety are closely linked, as both aim to prevent or minimise the loss of life, injury, and damage caused by natural or human-made hazards. Disaster management aims to enhance the safety of individuals and communities by reducing their vulnerability and increasing their resilience to disasters. This involves identifying and assessing the risks, developing and implementing mitigation and prevention strategies, preparing for and responding to emergencies, and recovering and rebuilding after a disaster. Safety measures, such as early warning systems, evacuation plans, emergency shelters, personal protective equipment, and first aid kits, can help reduce the exposure and vulnerability of people to disaster risks.

### Law enforcement

The Law Enforcement Advancement Plan (LEAP) programme will continue to be a key intervention over the 2024 MTEF. The effectiveness of LEAP since its inception in 2020 has been evident in the decrease of crime in prioritised hotspot areas. LEAP will continue to maintain over 1 000 law enforcement

*Over the 2024 MTEF, the Provincial Strategy for Safety will continue to deliver interventions under the pillars of law enforcement, violence prevention and urban design*



*WCG will continue to support the maintenance of over 1 000 LEAP officers*



officers, while taking additional steps to improve deployment strategies toward increasing the responsiveness of law enforcement. Notably, residents have indicated that they feel safer in their communities due to the increased presence of law enforcement officers.

Similarly, an increase in the number of confiscated firearms and illicit products, and arrests in the Province indicate the effectiveness of safety partnerships across the Province, including interventions such as the K-9 Units.

In partnership with the City of Cape Town, Swartland, Overstrand, and Mossel Bay, the maintenance of K9 units will continue to support crime prevention methodologies to intercept narcotics, explosives, poached marine resources, and other illicit trade.

DoM's Provincial Sustainable Transport Programme (PSTP) is an overarching initiative to improve public transport, walking, cycling and freight and respond to the ongoing transport crisis gripping the Western Cape. Focus areas include: initiatives to fix passenger rail; improving and integrating minibus taxi into the wider transport system; optimising the provincial freight system; fully establishing the Department's Integrated Transport Hub (ITH); expanding the use of innovative enforcement technologies to immediately detect and respond to threats to citizen safety on Western Cape roads and in communities; and building the institutional capacity of, and strengthening partnerships with, local authorities, law enforcement agencies, transport operators, and other stakeholders.

The Transport Regulation programme will regulate the transport environment through the registration and licensing of motor vehicles, associations, operators and drivers; to promote safety through traffic law enforcement services, facilitate road safety education, communication, awareness and the operation of provincial weighbridges; and to provide training to traffic policing and other law enforcement officials.

Recent enhancements to the Enforce traffic law enforcement system, enables the seamless electronic distribution of a hotlist of habitual traffic transgressors to both Highway Patrol and Interception Unit vehicles. This enables traffic law enforcement officers to stop specific vehicles, formally inform transgressors of the offences associated with them, and formally warn them of the consequences of continuing to transgress the law. In-vehicle technology enables smart and rapid deployment of law enforcement resources to improve safety on Western Cape roads.

### Violence prevention

The violence prevention pillar of the safety strategy is key to reducing the incidence of crime and violence in the Province. The central components are the strengthening of relationships between caregivers and children, youth development to ensure young people are diverted from high-risk behaviour and crime, to reduce alcohol-related harms, and reducing violence against women and children.

*The PSTP aims to improve passenger safety and achieve transformation*



*The multipronged approach to violence prevention will continue over the MTEF, including the VPU, alcohol regulation and NHW capacity building*

In this way, enhancing parenting, supporting the positive behaviour of young people, challenging gender norms, and educating men and boys to prevent gender-based violence will remain crucial for violence prevention. Key programmes like YearBeyond, Shukuma, and the Chrysalis Academy deliver benefits such as youth training, psychosocial support, and job opportunities. Notably, the Chrysalis Academy, operating under the Department of Police Oversight and Community Safety (DPOCS), exemplifies this effort by creating 876 work opportunities in 2022/23 through the Expanded Public Works (EPWP), with placements at partner institutions including the Department of Health and Wellness (DoH&W), SAPS, NPA, and the WCED. Despite a scaled-down approach, the Academy's continuation is vital in addressing high unemployment.

*Key programmes for violence prevention include YearBeyond, Shukuma and the Chrysalis Academy*

The Western Cape Liquor Authority (WCLA) will continue to pursue legislative amendments that will rationalise liquor trading times as well as the minimum unit pricing of alcohol prices to curb over consumption, supporting the reduction of alcohol related harms in the Province.

Tying these interventions together at a community level is critical. Community based stakeholders such as Neighbourhood Watches (NHWs) and Community Policing Forums (CPFs) continue to receive support, including the continuation of accreditation and capacity building, as well as the provision of resources such as communication devices and protective equipment.

The WCG continues to implement its comprehensive strategy in addressing Gender-Based Violence (GBV), albeit at a reduced scale. The transversal strategy encompasses enhancements in law enforcement and the streamlined processing of GBV cases and extends to the provision of victim support services and the implementation of violence prevention programmes. DPOCS remains committed to overseeing the efficacy of GBV case handling through Court Watching Briefs (CWBs) and continuous monitoring of police stations. While difficult choices must be made which may negatively affect Thuthuzela Care Centres and other victim empowerment programmes, the Department of Social Development (DSD) will deepen its role as a facilitator of GBV interventions at a municipal level, and continue to participate in various fora such as the GBV Forum, and the Victim Empowerment Forum. Critical initiatives, such as the Western Cape GBV Implementation Plan, and forums like the Provincial GBV and Femicide Summit, serve as catalysts for strengthened collaboration and concerted efforts in addressing GBV interventions even in the context of resource constraints.

*Continued focus on GBV to foster safer communities and empower survivors*



Area Based Teams (ABT) structures will also continue to be a core lever in the safety strategy. These transversal structures which include SAPS, DSD, CPFs, NHWs, and other stakeholders will be coordinated by the Violence Prevention Unit (VPU) located in the DoH&W.

Interpersonal violence and injuries are a significant part of the trauma problem faced by citizens in the Western Cape. The complex nature of the

multiple causal factors and drivers of antisocial behaviour requires an acute understanding. The VPU establishment will be an important catalyst to improve the WCG's ability to formulate effective policy and interventions to reduce violence. The VPU will coordinate community-based stakeholders in crime and violence hotspot areas, and conduct rigorous research and data analysis on the key drivers of violence, resulting in nuanced policy briefs. The VPU will take a public health approach, providing a clear plan and oversight to coordinate joint efforts to prevent violence in the Western Cape.

*The role of VPU includes coordinating law enforcement and violence prevention in high-crime hotspots*

The VPU's role will become even more critical in figuring out, stopping, and easing the burden of violence in our communities. Other critical actions of the VPU include guiding the collaboration between law enforcement and violence prevention efforts, with a focus on crime and violence hotspots, and implementing evidence-based violence prevention interventions.

### Urban design

The WCG is dedicated to the implementation of the Regional Socio-Economic Project (RSEP). This programme places a strong emphasis on safe urban design, citizen-centric planning, and the transformation of urban spaces through town and neighbourhood projects. It actively promotes collaborative partnerships with municipalities, government departments, state-owned enterprises, and the private sector, with the aim of securing co-funding and establishing a unified and cohesive approach for sustained progress.

## ■ Theme 3: Wellbeing

### Strong foundations

*ECD, the Early Learning Programme, and the Back on Track interventions will continue to be a focus toward building strong foundations*

Early Childhood Development (ECD) attendance is crucial as it equips children with the emotional, cognitive and physical development necessary for formal schooling. The 2030 Sustainable Development Goals (SDG) target for ECD states that all girls and boys should attend compulsory preschool education before they start Grade 1. The WCED aims to ensure that 1 400 ECD facilities are fully registered over the 2024 MTEF.

The WCED is committed to prioritising the Early Learning Programme, recognising its vital role in shaping the educational foundation of our youth. This strategic focus underscores the Department's dedication to strengthening existing Language and Mathematics strategies and to support educators in their understanding.

The 2022 Western Cape systemic test results reveals that the greatest learning losses are recorded in the Foundation Phase. The WCED's Back on Track intervention aims to reverse the learning losses in the Foundation Phase. A decisive step was taken to add an extra 2 hours per week allocated to reading and 1 extra hour per week for Mathematics, for all Grade 1 to 3 learners in the Western Cape – amounting to an increase of at least 60 learning hours per learner in these subjects.



## Increased wellbeing

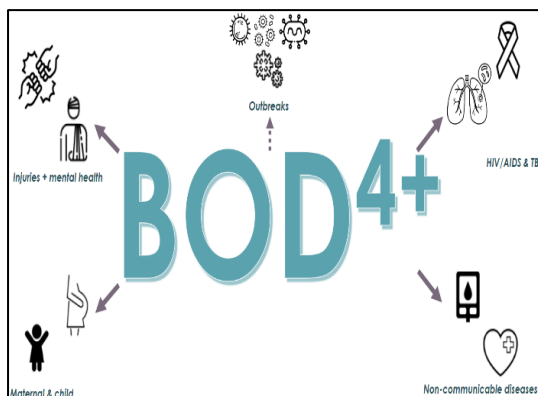
### One Health

In response to the 'Polycrisis' facing all people, which is "the simultaneous occurrence of several catastrophic events"; the DoH&W, will implement the 'One Health priority', which focuses on strengthening collaboration and coordination among human health, veterinary health, and environmental health sectors. One Health is a collaborative, multisectoral, and transdisciplinary approach; working at the local, regional, national, and global levels to achieve optimal health outcomes. It recognises the interconnection between people, animals, plants, and their shared environment.<sup>2</sup>

*The 'One Health priority' will be implemented to achieve optimal health outcomes*

The environmental sector priorities of the Province are also integrated into the One Health approach, which includes integrating environmental data into One Health decision-making, and fostering a better understanding of environmental issues in the One Health community.

### Early detection and prevention health strategies



The WCG is committed to ending the AIDS epidemic, tackling antimicrobial resistance, ending tuberculosis (TB), and the prevention and control of non-communicable diseases. The current socio-economic conditions exacerbate the existing burden of disease, while doing so exponentially through the synergistic interplay between different conditions, increasing the demand for services.

*DoH&W will focus on screening, prevention, and primary healthcare, aiming to effectively tackle the Province's disease burden*

Despite a significant reduction in national life expectancy from 1990 to 2007, due to the HIV/AIDS pandemic, the Western Cape experienced an increase in life expectancy over the same period, driven by advancements in addressing non-communicable diseases. The rollout of antiretrovirals led to a notable nationwide increase in life expectancy by 11.5 years between 2007 and 2019, with the Western Cape contributing a 3.8-year gain during this period.

According to the DoH&W, the Province is on track to achieve health-related SDGs, while the most challenging to meet the 2030 targets, relates to HIV incidence and TB incidence. Over the 2024 MTEF, the DoH&W services will become strongly oriented toward screening, prevention interventions, and primary health care services to appropriately address the burden of disease in the Western Cape.

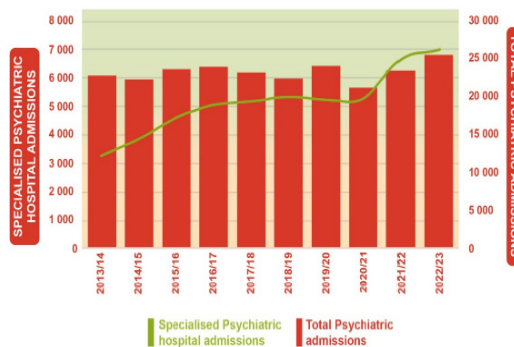


<sup>2</sup> <https://www.cdc.gov/onehealth/basics/index.html>

### Mental health services and psychosocial support

The burden of mental health conditions has increased globally as well as nationally in recent years. According to the World Health Organization (WHO), in the first year of the COVID-19 pandemic, global anxiety and depression rates surged by 25 per cent. Findings from the Global Burden of Disease<sup>3</sup> estimates in South Africa found that 15.9 per cent of South Africans have experienced a mental or substance use disorder in the previous 12 months. Looking at the Western Cape, between 2013/14 and 2022/23, an average of 19 212 psychiatric admissions occurred in the Western Cape, of which 6 190 (32.2 per cent) required admission to specialised psychiatric hospitals. Between 2021/22 and 2022/23, the Western Cape experienced an unprecedented surge of psychiatric admissions in public health facilities, accounting for a substantial 45.9 per cent of admission growth over the past decade (PERO, 2023).

**Total Psychiatric Admissions and Specialised Psychiatric Hospital Admissions in the Western Cape, 2013/14 - 2022/23**



The WCG is committed to enhancing mental health and ensuring universal healthcare access by reinforcing the provincial health system for Universal Health Coverage (UHC). The DH& W will improve mental health services and implement staff wellbeing initiatives during the 2024 MTEF. Prioritising employee wellbeing is crucial for realising the vision of the WCG, and fostering a resilient health system. The Department will also sustain health lifestyle programmes through the provincial Western Cape on Wellness (WoW) initiatives.

### Youth Development

The Western Cape Youth Development Strategy aims to provide more support, opportunities and services for all young people to better engage with their environment and become responsible, independent and stable adults. The aim of the strategy is for the youth in the Western Cape to be inspired, educated, responsible, independent and healthy individuals that have productive personal, family and social relations by the age of 25. DCAS provides structured after-school activities; employment opportunity through its youth in service programme and YearBeyond programme; as well as opportunities for recreation, sport, music, arts and culture as tools for development.

DCAS continues to work with sport federations in the Province. Sport federations identify promising athletes that will be trained and supported by the academy system. Over the past few years, the system has

*The Western Cape Youth Development Strategy seeks to empower the youth through diverse opportunities, services, and support systems*



<sup>3</sup> Global Burden of Disease, <https://www.healthdata.org/research-analysis/gbd>

supported athletes through provision of nutrition, rehabilitation from injuries, transport, capacity building and competitions. The Department utilises online transfer funding application processes for sport federations and will continue to refine the processes in the 2024/25 financial year.

The Chrysalis Academy continues to reach over 600 youth at risk, improving their skills and resilience to navigate the effects of violent environments, and enabling them to contribute meaningfully towards their communities.

*The Chrysalis Academy supports over 600 youth at risk*

Youth are further being prioritised by:

- Investment in rolling out various literacy and reading programmes for children in ECD centres, schools, libraries and communities through Library Services and the YearBeyond Programme. These are aimed at building a culture of reading and improving reading for meaning by the age of 10.
- Investment in whole child development with a focus on ensuring children are exposed to a range of sporting, art and cultural activities and are supported to find and pursue their passions through After School Programmes including Mass participation; Opportunity and access; Development and growth (MOD) Programme and YearBeyond. After school programmes are provided through MOD Centres in 181 schools, 134 Neighbouring School Centres, and 315 YearBeyond sites (ECD centres, schools, libraries and hubs).
- Investment in building young people's sense of belonging by creating "positive peer groups" through sport, arts, culture and giving youth access to heritage resources via our museums and community facilities.

### **Vulnerable Groups**

Child protection is still the most significant of the Province's obligations. The development of children is an urgent priority for the WCG over the 2024 MTEF, especially given the youth bulge. The WCG has prioritised the funding of Child and Youth Care Centres (CYCCs), including commitments to infrastructure upgrades and additional staff and professional social work capacity.

*Continued focus on the protection of vulnerable groups*

Additionally, as tough decisions are taken to ensure the WCG complies with fiscal consolidation, key services interventions such as subsidies to Non-Profit Organisations providing services to older persons, persons with disabilities and homeless persons, will be maintained, albeit at a reduced level over the MTEF.



### **Building social cohesion and service**

The WCG aims to foster social networks that bring groups closer and promote involvement and lively interaction in secure environments with people of various origins. WCG offers opportunities for young people, women, children, and people with disabilities from different communities to learn and develop artistic and life skills through arts and culture growth and advancement programmes.

The Wellbeing priority places particular focus on the early life course (young children), which includes providing opportunities for early learning. Public libraries play an increasing role in developing early literacy skills and a love of reading in children. The role of public libraries has also long shifted from facilities mainly focused on lending books to the public, to also become community hubs that facilitate cultural awareness and understanding, and provide access to local and community information, e-governance, primary and general health information, and educational opportunities.

Libraries and Archives expose citizens to history, heritage, and culture which are important for understanding the past, analysing the present and planning for the future, and foster social understanding and cohesion which can create social and economic stability and growth. DCAS plans to sustain 375 public libraries through transfers to municipalities. DCAS further facilitates the roll out of broadband and expansion of free internet connectivity and technology resources in 232 public libraries for rural communities.

### Meeting basic needs and protecting human rights

*Ensuring access to basic needs and fulfilling fundamental rights includes the support of food security, learner accommodation and ensuring inclusivity in education*

#### Food Security

The deteriorating economic outlook translates into rising food insecurity among households. Recent data from Stats SA reveals that a substantial portion of households across South Africa have been affected by hunger. Approximately one-fifth of households nationally reported that their access to food was either inadequate or severely inadequate. DSD will continue to fund food relief at a reduced rate, ensuring that over 6000 people can continue to access meals at community nutrition distribution centres (CNDs). Furthermore, the WCED, through the School Nutrition Programme Grant, will continue to provide nutritious meals to targeted learners. A total of 612 516 learners are being fed during 2023/24.

#### Rapid School Build

The Rapid School Build Programme is an exciting new initiative that brings together various stakeholders with the aim of developing and building a number of schools within six months to accommodate learners. This successful programme relies on intra and inter-governmental coordination to improve site development planning, and speed up service connection requests and development approvals. A stronger public communications and engagement strategy is also prioritised to ensure harmonious execution of the programme. The project has already seen the construction of more than 740 classes and 5 new schools in readiness for the 2023 academic year.



## Accommodating learners with special needs

Inclusivity in education has become increasingly pronounced, emphasising the need to accommodate learners with special needs. Special Schools deliver an effective educational provision for learners experiencing barriers to learning and development. The key focus area of WCED is to provide additional access for learners with autism and improved support to learners with profound intellectual disabilities. Currently, there are 73 special needs schools in the Western Cape, accommodating a total of 20 776 learners in 2023. As part of the Rapid School Building Programme, the WCED plans to build 2 new schools for learners with special needs for the school year, 2024.

*There are 73 special needs schools, accommodating 20 776 learners in 2023*

## ■ Innovation, Culture and Governance

### Integrated Provincial Governance

Beyond simple compliance, integrated provincial governance acknowledges the Provincial Treasury's function as a trusted partner and facilitator progressing the advancement of service delivery throughout the Province. This strategy emphasises value add by streamlining processes and incorporating service delivery performance within the framework of good governance. Targets are to strengthen vital infrastructure, develop future-ready competencies, and improve planning and budgeting mechanisms.



The WCG has endorsed the Regional Planning and Spatial Governance, and Climate Change structure as a provincial joint planning forum. The related objectives, in short, are to promote collaborative spatial governance focused on:

- Aligning planning and investments pertaining to regional growth and development in the Western Cape;
- Tackling strategic issues that have implications for regional growth and development in the Province;
- Enhancing planning, budgeting, and monitoring and evaluation systems to enable accountability for regional development and growth in spatial terms;
- Monitoring regional risk and disaster response capacity in the Western Cape, and
- Providing support to national initiatives impacting spatial growth and development in the Western Cape region.

The WCG is in a strong position to effectively manage the complex governance landscape and deliver services that meet the needs of citizens while promoting growth and wellbeing.



*Two main pillars of effective local governance are: stability in finances, and fostering growth*

## Effective Local Governance

Stability in finances and growth are the two main pillars of effective local governance. The former focuses on pushing for fiscal consolidation to improve resource efficiency and gives vulnerable municipalities advice to prevent financial crises. The growth pillar seeks to establish a positive feedback loop in which higher investments, particularly in economic infrastructure, increase job creation and productivity, which in turn increases municipal revenue. The Western Cape Financial Management Capability Grant supports this goal, supported by Technical Integrated Municipal Engagements and Strategic Integrated Municipal Engagements.

The PERO, MERO, and Socio-economic Profile for local government are among the annual socio-economic intelligence publications that are prepared with an eye on growth. These reports analyse investment possibilities and comparative advantages across various regions, supporting the development of the private sector in addition to providing the public sector with planning and budgeting tools.

## Integrated service delivery

*The JDMA seeks to improve service delivery and coordination among the three spheres of government*

The WCG JDMA is an initiative that aims to improve service delivery and coordination among the different spheres of government, and was endorsed by the WCG in 2020. Each district interface team comprises representatives from the district, its local municipalities, provincial departments and relevant national departments.

The district interface teams are responsible for enhancing intergovernmental collaboration based on principles of co-planning, co-budgeting, and co-implementation. This implies that the three spheres of government coordinate their plans and budgets to address regional and local issues, including economic development, infrastructure, and social services. The district interface teams have the responsibility to develop and carry out a single implementation plan, as well as to periodically oversee and assess its execution.

## Citizen-centric culture

*WCG maintains its commitment to prioritising citizens as the central focus of its decision-making processes*

A government that engages with its citizens can better comprehend and address the needs of communities. The involvement of citizens in matters that affect them is a key aspect of good local governance.

As part of an initiative to fortify citizen engagement and enhance democracy at the municipal level, the WCG conducted Civic Education Sessions on Public Participation. These sessions were conducted in various towns such as Klaarstroom, Leeu-Gamka, Kliprand, Vredendal North, Qolweni, New Horizons, and Kwa-Nokuthula, covering municipalities of Prince Albert, Matzikama, and Bitou. The sessions empowered citizens about their rights and responsibilities, and raised awareness about their pivotal role in influencing municipal decision-making processes.

The Community Development Worker Programme continued its efforts to enhance people's experience with the government. For instance, Community Development Workers collaborated with key stakeholders to raise awareness on gender-based violence in the Cape Winelands and the Central Karoo.



The Thusong Programme continues to improve access to government services and information for citizens, particularly in rural and underserved areas. Thusong Service Satellite Centres in Citrusdal, Dysselsdorp, Hex River, and Kranshoek expand the programme's reach.

### Disaster management

The WCG continue to fund proactive measures to mitigate disaster risks, including the systems and technology required for anticipatory disaster risk management. Key disaster management interventions include:

*WCG persists in funding pre-emptive measures to reduce disaster risks*

- Reviewing the Disaster Management Framework;
- Establishing effective and rapid emergency/disaster response and recovery mechanisms;
- Ensuring a state of readiness through the development and implementation of disaster management preparedness plans;
- Institutionalising and advocacy of disaster risk reduction;
- Establishing and maintaining integrated systems and structures for disaster management;
- Improving Fire and Rescue Services capability; and
- Piloting the development of the Fire Application in eleven municipalities.



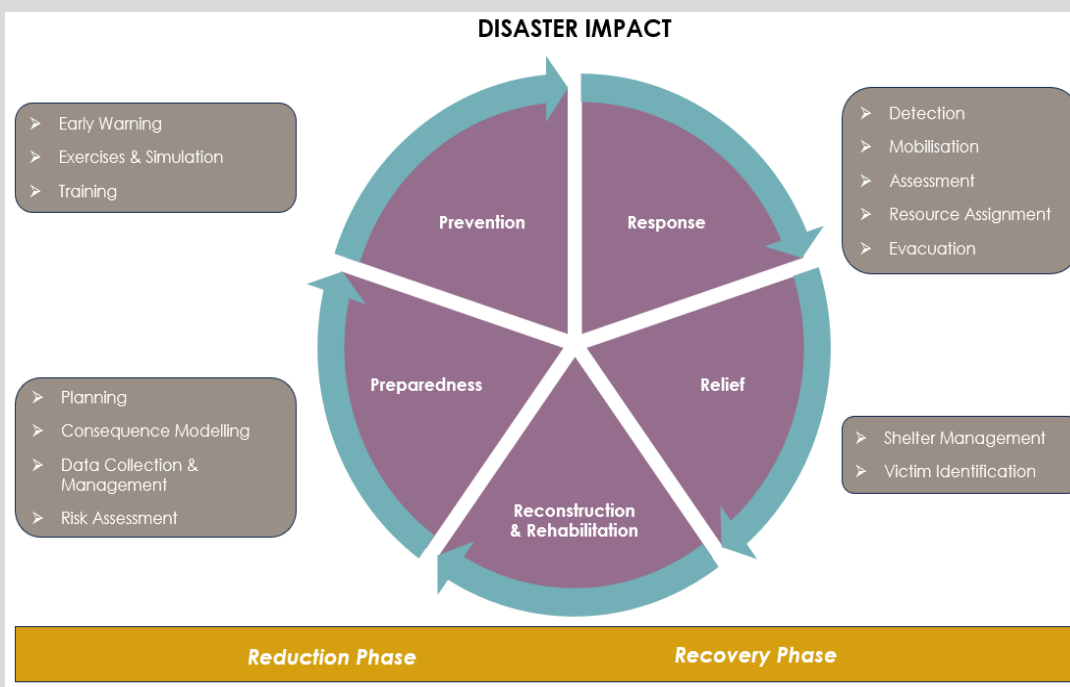
The Western Cape Disaster Management Strategy will be developed over the medium term with the goal of enhancing Provincial resilience to disasters. The following important pillars will guide the Strategy: enhanced technology enabling early warnings; modern communication systems; aerial assistance capability; sufficient backup; expanded capacity across all levels of government; and stakeholder interactions.

## Western Cape Government Disaster Response

Up until 2002, the majority of South Africa's disaster management legislation was centred on the country's reaction to man-made disasters and security-related operations. After the Disaster Management Act was passed in 2002, the approach shifted to one that was more anticipatory and concentrated on identifying possible disaster risks and putting preventative and severity-reducing measures in place before disasters happen. However, it was acknowledged that disasters would still occur despite this approach, and that is why maintaining an efficient disaster response capability is vital.

Since 2010, the Province has also made excellent use of this reaction capability to avert calamities. The hiring of aerial firefighting services throughout the summer months in the Western Cape is the greatest illustration of this, where aircraft are strategically placed to rapidly respond to any fires starting in scientifically identified high-risk areas. By aggressively responding to fires in their incipient phase, the programme has been able to control approximately 95 per cent of potentially disastrous fires within the first hour of it being reported.

The WCG has structured its disaster management system on the following Disaster Management Continuum to effectively address and manage disasters and emergencies in the Western Cape region. This continuum consists of various phases and activities designed to reduce the risk of disasters, prepare for their occurrence, respond when they happen, facilitate recovery, and build resilience. Here's an overview of the WCG Disaster Management Continuum:



The Reduction Phase focuses on reducing the risk of disasters and their potential impacts. Key activities undertaken include developing and updating emergency plans, conducting drills and exercises, establishing communication systems, and ensuring the availability of resources like emergency personnel, equipment and shelters. When a disaster occurs, the WCG responds swiftly to protect

lives, property, and the environment. This includes deploying emergency services, conducting search and rescue operations, providing medical care, and coordinating efforts to manage the immediate impact of the disaster. During the Recovery Phase, the focus shifts to long-term recovery efforts for affected communities and individuals to rebuild, rehabilitate and restore their lives and livelihoods.

Effective coordination and communication are critical at all stages of the continuum. The WCG collaborates with various agencies, local authorities, and community stakeholders to ensure a unified and efficient response to disasters. Clear and timely communication with the public is also a key element.

Key anticipatory disaster interventions are underway to take proactive action to mitigate disaster risks include the following:

- Priority Hazard Model: To support effective alien plant identification via satellite imagery, flash floods and wildfires risk modelling, to achieve near real-time disaster risk reduction.
- Capacity building and training of disaster management officials: To support municipalities to be better equipped to effectively plan for disaster risk reduction, and to effectively respond to disasters once a disaster strikes.
- Resilient Connectivity: For the installation of a fibre line and an Uninterrupted Power Supply, which will aid as backup to the Corporate Connectivity at the Provincial Disaster Management Centre in the event that communication channels are impacted or cut-off.

- Technical Communications during major electricity disruptions: To provide an alternative, satellite-based communications system for emergency communications to ensure connectivity in the event of a national electricity blackout or any other event which may result in the collapse of established communications infrastructure.
- Response to incidents involving dangerous goods: To mitigate the severity of incidents relating to a wide spectrum of hazardous materials. This includes emergency preparedness and the rapid and effective response to incidents.
- Flood Response: To capacitate municipalities to operationally manage medium to large scale flood rescue operations and to provide a collective response to a disastrous scale emergency.

The WCG continually refines its disaster management strategies and practices based on the changing risk landscape, emerging threats, and evolving best practices in disaster management. The goal is to reduce the impact of disasters, protect lives and property, and enhance the overall resilience of the region to various hazards.

Source: Department of Local Government

## Strategic Supply Chain Management

The WCG's Supply Chain Management (SCM) Strategy is a testament to its flexibility and resilience in the current fiscal context. The strategy, which was based on a thorough diagnostic process and supported by the Accounting Officer's System and Provincial Treasury Instructions, not only complied with strict governance standards but also demonstrated the adaptability and teamwork necessary for quick and informed procurement decisions.

The SCM strategy is strengthened by technological developments propelled by data analysis and business intelligence tools. Procurement Disclosure Reports and Quarterly SCM Insights Reports improve transparency in expenditure. Automation through a procurement planning toolkit has become standard practice, offering insights into opportunities for tenders, optimising resource use, and promoting results that are cost-effective.

WCG's involvement in the onboarding of suppliers, particularly via the e-Procurement Solution and central supplier database, demonstrates a dedication to seamless processes. Support from the Procurement Client Centre is available to departments, municipalities, and suppliers. A specialised SCM helpdesk handles inquiries and complaints.

Retraining SCM employees and interacting with suppliers in a performance-based setting are essential steps in the shift from a compliance-driven to a value-for-money procurement system. A primary focus is on enhancing transparency and decreasing excessive regulation, with a focus on working together with lawmakers.

In the face of budget constraints, initiatives like the Dark Data Project and workshops on Digital Smart Procurement show a forward-thinking approach. To reduce costs, the 2024 MTEF calls for short-term interventions such as contract negotiations, departmental procurement plan reviews, and hourly rate-based contract reorganization.

*SCM strategy benefits significantly from technological advancements, and enhancing transparency in expenditure*



## Talent and staff development

The WCG aspires to be an employer of choice by fostering a culture that values talent, especially among young professionals, and empowers staff to carve out meaningful career paths for themselves.

*WCG prioritises preparing for the changing world of work by embedding innovation for impact*

Efforts to embed innovation for impact in the WCG have continued, making significant progress in preparing for the changing world of work. Work under the talent and staff development focus area includes a skills audit among Senior Management Service (SMS) members. This audit, a key intervention aligned with the provincial Future Fit Skills Strategy, aims to identify skills and capabilities requiring dedicated focus. It will serve as a tool to pinpoint training needs, ensuring that learning and development interventions are timely, relevant, and effective in preparing for a Future Fit organisation and future skilling.

The reconfiguration of the Provincial Training Institute into a "Learning and Innovation Centre of Excellence" is advancing smoothly. The Implementation Roadmap, along with the development of a new operating model and proposed organisational structure, has been successfully concluded. This roadmap will guide the transition from the current state to the new reconfigured learning and innovation centre.

Over the medium term, these interventions will contribute to cultivating a citizen-centric culture, promoting innovation for impact, and nurturing talent and staff development.

## Digital transformation

*WCG's focus on digital transformation aims to close the digital divide in the Province*

The WCG is currently in the process of planning for the next iteration of its broadband initiative, known as "Broadband 2.0." This initiative is being developed as the existing 10-year broadband service agreements are set to terminate on 1 October 2024. A Broadband 2.0 (BB2.0) feasibility study for the WCG is underpinning the process of sourcing a new broadband service. The study's end goal is to provide the Province with a complete business, operational, and financial model that will drive the design of the next BB2.0 procurement process.



The BB2.0 deployment is important to ensuring a connected government and citizens. The initiative is based on the WCG Broadband Strategic Framework, which is founded on the concept of a catalytic telecommunications environment that drives coordinated and integrated activity across three programme areas: connected Government, connected citizens, and connected economy.

The WCG e-Centres foster socio-economic development in areas where it is most needed by providing access to improved ICT, which opens doors to better employment, educational, and entrepreneurial prospects. Public libraries, Thusong centres, and other access sites serve as home to these e-Centres, which give local communities access to computers and the internet.

The WCG e-Centre Programme aims to offer Internet-connected ICT facilities that are open to the public, catering primarily to underprivileged and marginalised groups. Use is free but it has a daily time limit. Members have access to email, and the e-Centre staff helps them set up their own mailboxes and email accounts. In addition to standard computer productivity tools, each computer offers free e-skills training and the internationally recognized ICDL (International Certificate Digital Literacy) accreditation.

*The e-Centre Programme offers citizens free access to ICT and e-skills training*

Many different user groups, including students in schools, tertiary students, youth, entrepreneurs, businesses, civil servants, social sector organizations, and unemployed citizens, are currently using these e-Centres.

Although the programme has been very successful in the rural areas, the programme is being expanded by:

- Developing a WCG e-Centre Mobile Service to reach those underserved deep rural sites where it is not feasible to establish a brick-and-mortar facility;
- Establishing a footprint in the City of Cape Town Metro area, with a focus on the crime hotspot areas; and
- Increasing Public Wi-fi coverage for citizens inside WCG e-Centres, Museums and Libraries.

## ■ Conclusion

The WCG is committed to promoting Growth for Jobs, Safety, and Wellbeing, and enabling the public service to deliver services effectively and capably. Embedded within this commitment is the driving theme: *A budget to build your future*, where the allocation of resources is not just a fiscal exercise but a profound expression of devotion in the potential of every citizen. The last stage of the 2024 Budget Execution Process will result in the tabling of the WCG 2024 Budget, which will give effect to the budget objectives and responses to enhance socio-economic development and foster inclusive and sustainable economic growth.

## Annexure 1: Energy Allocations

	Project	2023/24	2024/25	2025/26	2023 MTEF
		R'000	R'000	R'000	R'000
Loadshedding impact reduction	Alternative energy support: SMMEs	12 000			12 000
	Emergency load shedding packs	3 000	67 000		70 000
Green Economy Ecosystem Support	Green Economy Ecosystem Support	7 100	9 300	9 500	25 900
	Green Economy	-5100	5 100		-
Project preparation support	Municipal Pooled Buying	2 143	1 000	6 000	9 143
	Municipal IPP procurement Stellenbosch	7 815	12 729	8 828	29 372
	Project preparation facility	18 446	45 262	36 426	100 134
	Pilot renewable energy solutions in municipalities	69 000	67 000	37 000	173 000
	Specialist service providers		3 000	3 000	6 000
	Explore gas power	2 958			2 958
	IPP Auction		1 000		1 000
	Green hydrogen development: Wesgro	1 700			1 700
Green hydrogen development: SBIDZ	3 300			3 300	
Grid, generation and financing planning	Grid and transmission infrastructure upgrade planning	1 613	3 326	3 274	8 213
	Municipal EMPs	1 740	1 760	1 840	5 340
	WC Integrated Resource Plan (IRP)		10 750	2 000	12 750
	Western Cape Just Energy Transition Investment Plan	500		1 000	1 500
Capacity to implement	Energy PFA systems	500			500
	Additional capacity - DoTP	4 056	16 499	17 199	37 754
	Additional capacity - DLG (water & wastewater load shedding impacts)	1 293	5 750	5 750	12 793
	Additional capacity to support and implementation	4 529	10 575	11 104	26 208
Operational	LED lighting	15 000	44 000	30 000	89 000
	PV Systems in Prov Health buildings		35 000	38 000	73 000
	Solar PV	37 600	100 000	100 000	237 600
<b>Total Energy Allocation</b>		<b>189 893</b>	<b>446 251</b>	<b>322 521</b>	<b>958 665</b>
<b>Energy Reserve</b>					<b>85 435</b>
<b>TOTAL</b>					<b>1 044 100</b>

# Glossary

**2030 Agenda for Sustainable Development**

This Agenda is a 15-year plan of action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere.

**Africa Union Agenda 2063**

The continent's strategic framework that aims to deliver on its goal for inclusive and sustainable development.

**Adjustments Budget**

The adjustments budget process allows for authorized modifications to the budget within a fiscal year to address alterations impacting planned government spending. The adjusted estimates, presented alongside an Adjustments Appropriation Bill, are presented to the National Assembly by the Minister of Finance.

**After School Programmes**

The academic, sports, life skills, and arts and culture programmes delivered to learners after school.

**Area-Based Teams**

A methodology established in a specific community, that is premised on taking a whole of society approach, to work together in pursuit of the common objectives of the Safety Plan.

**RMB/BER's Consumer Confidence Survey**

Measures how optimistic or pessimistic consumers are regarding their expected financial situation. The Consumer Confidence Index (CCI) is based on the premise that if consumers are optimistic, they will spend more and stimulate the economy but if they are pessimistic then their spending patterns could lead to a recession.

**Baseline Repositioning Model**

A tool used to identify and review services, projects, interventions and initiatives of all programmes and sub-programmes, to inform areas of reprioritisation.

**Blended finance**

Blended finance is the strategic use of development finance for the mobilisation of additional commercial finance towards certain goals.

**Budget Facility for Infrastructure**

A reform to the budget process that establishes specialised structures, procedures and criteria for committing fiscal resources to public infrastructure spending.

**Budget Deficit**

Budget deficit occurs when money going out (spending) exceeds money coming in (revenue) during a defined period.

**Business confidence**

An economic indicator that measures the level of optimism that businesses have in an economy.

**Citizen-centric culture**

Refers to governments forming a two-way, collaborative relationship with the citizens and designing services with their needs in mind.



<b>Climate change</b>	A long-term shift in global or regional climate patterns attributed directly or indirectly to human activity.
<b>Conditional grants</b>	Allocations of money from one sphere of government to another, conditional on certain services being delivered or on compliance with specified requirements.
<b>Contingent liabilities</b>	A contingent liability is a potential liability that may or may not occur, depending on the result of an uncertain future event.
<b>Composite Business cycle indicator</b>	Designed to provide early signals of turning points in business cycles showing fluctuation of the economic activity around its long-term potential level. The indicator predicts changes in business cycles 6 to 9 months prior to the change in the business cycle. The indicator show short-term economic movements in qualitative rather than quantitative terms. Typical indicators used includes business confidence surveys, orders and inventory changes, and financial market indicators.
<b>Digital Transformation Plan</b>	The implementation plan of the Province's Digital Government Strategy that aligns with the Provincial Strategic Plan and the Province's Institutional Review Programme.
<b>Division of revenue</b>	The allocation of funds between the spheres of government as required by the Constitution.
<b>Ease of Doing Business</b>	A measurement of how conducive the regulatory environment is for business operations. This is a programme in the Department of Economic Development and Tourism that aims to reduce delays and costs, thereby enabling investment.
<b>Energy Availability Factor (EAF)</b>	EAF is the percentage of maximum energy generation that a plant is capable of supplying to the electrical grid, limited only by planned and unplanned outages.
<b>Expanded unemployment</b>	Expanded unemployment is defined as those aged 15-64 years who fall under official unemployment (searched and available); and were available to work but are discouraged work-seekers and/or have other reasons for not searching.
<b>Expenditure Review</b>	A process of reviewing government spending on a particular service, and how effective this spending is.
<b>Fiscal consolidation</b>	Measures to narrow a government's budget deficit and stabilise its debt-to-GDP ratio.
<b>Fiscal policy</b>	Policy on taxation, spending and borrowing by government.
<b>Fiscal strategy</b>	Sets out government's fiscal priorities, objectives and intentions for fiscal policy, to achieve economic and social objectives.
<b>Financial year</b>	The 12 months according to which companies and organisations budget and account. Government's financial year runs from 1 April to 31 March.

<b>Framework/envelope</b>	A framework for integrating fiscal policy and budgeting over the medium term by linking a system of aggregate fiscal forecasting to a disciplined process of maintaining detailed medium term budget estimates by ministries reflecting existing government policies.
<b>Gender-based violence</b>	Violence directed against a person because of that person's gender or violence that affects persons of a particular gender disproportionately.
<b>Green Hydrogen</b>	Green hydrogen is created through the electrolysis of water. The process is powered entirely by renewable energy, thus generating no polluting emissions into the atmosphere.
<b>Green technology</b>	The use of technology and science to reduce human impacts on the natural environment.
<b>Greenhouse gas emissions</b>	Any gas that has the property of absorbing infrared radiation emitted from the Earth's surface and reradiating it back to the Earth's surface, thus contributing to the greenhouse effect. Carbon dioxide, methane, and water vapour are the most important greenhouse gases.
<b>Gross domestic product (GDP)</b>	The total market value of all goods and services produced within the borders of a country during the specified period.
<b>Gross Domestic Product at basic prices</b>	GDP at factor cost plus production taxes minus production subsidies.
<b>Gross Domestic Product per capita</b>	The GDP divided by the population of a country.
<b>Gross loan debt</b>	Gross loan debt includes total outstanding domestic and foreign debt instruments.
<b>Growth for Jobs Strategic Framework</b>	Promotes synergy for break-out and inclusive economic growth in the Western Cape, to ensure job creation.
<b>Headline inflation</b>	The Consumer Price Index in urban areas.
<b>Hotspot Strategy</b>	Innovative interventions specifically targeted to the needs of each area and community, with the aim to reduce risks of vulnerable people in these communities.
<b>Independent Power Producer</b>	An entity, which is not a public electricity utility, that owns and/or operates facilities to generate electric power for sale to a utility, government buyer, or end users.
<b>Indirect grant</b>	A grant allowing a national department to perform a function on behalf of a province or municipality. No funds are transferred, but the end-product of the grant, such as infrastructure built, is generally transferred to provincial or municipal ownership.
<b>Inflation</b>	An increase in the general level of prices.
<b>Infrastructure Fund</b>	A fund housed in the Development Bank of Southern Africa that will provide government support to co-finance projects that blend public and private resources.

<b>Innovation for Impact Strategic Framework</b>	An aspirational blueprint that aims to influence, stimulate and enable innovation both internally in the Western Cape Government and with external partners, and to ensure government services are delivered to the people of the Western Cape in an accessible, innovative, and citizen-centric way.
<b>Joint District and Metro Approach</b>	Envisages the three spheres of government to converge, using Intergovernmental Relations engagements, to develop Western Cape strategic, developmental and planning priorities with aligned budgets to accelerate service delivery.
<b>Labour Productivity</b>	Labor productivity is a measure of economic performance that compares the amount of output with the amount of labor used to produce that output.
<b>Loadshedding</b>	In the case of this publication, it refers to the action of planned interruptions on electricity supply as a means to control the available electricity between all electricity users.
<b>Narrow unemployment</b>	Persons aged 15-64 who were not employed in the reference week, and actively look for work or tried to start a business in the four weeks preceding the survey; and were available for work; or had not actively looked for work in the past four weeks, but had a job or business to start at a definite date in the future and where available.
<b>Non-interest expenditure</b>	Total expenditure by government less debt-service costs.
<b>Nourish to Flourish</b>	A strategy that aims to find a good balance between social and economic interventions - by protecting communities, while also addressing the underlying issues that shape the food economy, such as the way resources are managed and the access that communities have to fresh and nutritious food.
<b>Medium Term Budget Policy Statement</b>	Describes government's policy goals and priorities, forecasts macroeconomic trajectory, and projects the fiscal framework over the next three years by outlining spending and revenue estimates, among others.
<b>Medium Term Expenditure Framework</b>	The three-year spending plans of national and provincial governments published at the time of the Budget.
<b>Medium Term Strategic Framework</b>	The implementation plan and monitoring framework for achieving the National Development Plan priorities.
<b>Monetary Policy</b>	Monetary policy is the means by which central banks manage the money supply to achieve their goals. The SARB uses interest rates to influence the level of inflation.
<b>National Development Plan</b>	A national strategy to eliminate poverty and reduce inequality.
<b>Provincial Equitable Share</b>	The allocation of nationally raised revenue to provincial government as required by the Constitution.

<b>Provincial own receipts</b>	Refers to taxes/fees and/or user charges, which a provincial department receives.
<b>Provincial Reserves</b>	The strategic accumulation of provincial reserves is aimed at ensuring there is a sufficient pool of financial resources to tackle sudden and unforeseen fiscal, economic, or adverse events that could potentially disrupt the service delivery of Provincial government departments.
<b>Provincial Revenue Fund</b>	Fund for each province into which all money received by the provincial government must be paid, except money reasonably excluded by an Act of Parliament.
<b>Public entities</b>	Companies, agencies, funds and accounts that are fully or partly owned by government or public authorities and regulated by law.
<b>Public Private Partnerships</b>	Public-private partnerships involve collaboration between a government agency/department and a private-sector company that can be used to finance, build, and operate projects.
<b>Real Gross Domestic Product at market prices (2015 base year)</b>	GDP at basic prices plus product taxes minus product subsidies expressed in 2015 price levels.
<b>Red Tape Reduction</b>	A WCG programme aimed at reducing the amount of bureaucracy and non-essential forms, procedures, and regulations to improve government efficiency.
<b>Regional Gross Domestic Product</b>	The total market value of all goods and services produced within the borders of a region or province during the specified period.
<b>Regional Socio-Economic Projects</b>	An intergovernmental and citizen-centric programme run in the Western Cape and is aimed at neighbourhood development and spatial justice.
<b>South African Economic Reconstruction and Recovery Plan</b>	A national strategy that sets out a reconstruction and recovery plan for the South African economy that is aimed at stimulating equitable and inclusive growth.
<b>Sustainable Development Goals</b>	A United Nations global plan to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.
<b>Tax-to-GDP ratio</b>	For public finance comparison purposes, a country's tax burden, or tax-to-GDP ratio, is calculated by expressing the total tax payments for a particular fiscal year as a fraction or percentage of the GDP for that year.
<b>Theory of Change</b>	A methodology for planning, participation, and evaluation that is used to promote social change.
<b>Trade Deficit</b>	An economic indicator of a negative trade balance in which the imports of a nation outweigh its exports.

<b>Trade Surplus</b>	An economic indicator of a positive trade balance in which the exports of a nation outweigh its imports.
<b>Transform to Perform</b>	A strategy aimed at promoting a values-driven organisation to positively impact on the motivation levels and mindsets of officials, teachers and learners in the Western Cape education system to drive improved performance.
<b>Western Cape Recovery Plan</b>	A provincial strategy that prioritises interventions aligned to the Provincial Strategic Plan and aims to set out a recovery plan for jobs, safety and wellbeing.
<b>Western Cape Safety Plan</b>	Safety strategies, informed by evidence, that are implemented with the aim of boosting law enforcement capacity in our least safe neighbourhoods, and seeking to address the root causes of crime.
<b>Whole of Society Approach</b>	A Whole of Society Approach mobilises the resources, knowledge, creativity, and concerns of all role players in government, the private sector, and civil society to drive socio-economic development and address policy challenges.
<b>Youth at-risk</b>	Youth vulnerable to committing violence, as indicated by high-risk factors on a violence potential scale.

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