



Western Cape  
Government

WESTERN CAPE  
PROVINCIAL TREASURY

# Medium Term Budget Policy Statement



## 2025



**Western Cape Government  
Provincial Treasury**

**Medium Term  
Budget Policy Statement  
2025**

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# Foreword

The 2025 Western Cape Medium Term Budget Policy Statement is tabled at a time when South Africa's economy is gradually regaining momentum under the renewed fiscal discipline emerging from the Government of National Unity (GNU). Global and national conditions remain challenging, yet there are early signs of stabilisation in growth, inflation, and public finances. Within this environment, our mandate remains clear. We must protect the foundations of service delivery, catalyse faster growth in jobs and incomes, and maintain a steady fiscal path that inspires confidence in our collective future.

This MTBPS outlines how we will build on the momentum we've created to achieve these goals over the medium term. It fully aligns our fiscal framework with the **Provincial Strategic Plan 2025 - 2030**, which organises the work of the Western Cape Government around four strategic transversal portfolios. Through **Growth for Jobs**, we are prioritising breakout economic expansion and employment. Through **Safety**, we are building secure and resilient communities. Through the **Educated, Healthy and Caring Society** portfolio, we are sharpening our focus on learning outcomes and social support. And through **Innovation, Culture and Governance**, we are strengthening state capability, diversification of our revenue sources, and automating processes in order to cut red tape. Collectively, these portfolios shift our focus away from departmental silos and onto the lived experience of residents across their lifetime.

The provincial fiscal framework presented in this document is guided by principles of **sustainability, scaling for growth, and measuring impact**. We remain committed to discipline in spending while protecting core frontline services and prioritising investments that support growth and jobs. Within the realities of a pressured national fiscal framework, the Western Cape will continue to use its reserves prudently, support infrastructure that unlocks growth and resilience, and strengthen its capacity for credible planning and implementation.

Over the next three years, our central task is to translate strategy into visible change in our communities. This requires budgets that support practical delivery, effective coordination across the province, and closer partnerships with municipalities and the private sector. We are now moving beyond planning and, instead, we are **setting course towards scaling for growth and creating momentum for real impact** on jobs, safety, social services, and good governance to ensure that residents see and feel the results of the choices we make in this document.

I extend my sincerest appreciation to the Premier, my Cabinet colleagues, our Provincial Treasury team, and officials across the Western Cape Government for their hard work in preparing this MTBPS. I also give thanks to our partners in research, business and civil society who have contributed insight and data. The decisions set out here are not easy, but they are taken with a clear purpose, which is to build a Western Cape where every resident has an equal opportunity to access jobs, live safely, access quality public services, and live a life they value.



**DEIDRÉ BAARTMAN**  
**MINISTER OF FINANCE**

4 December 2025



# THE ECONOMIC CONTEXT

## GDP GROWTH OUTLOOK (OCTOBER 2025)

2025

2026

### GLOBAL ECONOMY:



3.2%

3.1%

#### UNITED STATES:



2.0%

2.1%



#### EURO AREA:



1.2%

1.1%



#### CHINA:



4.8%

4.2%



## WESTERN CAPE ECONOMIC OUTLOOK

# 1.2% IN 2025

# 1.6% IN 2026

## GDP GROWTH OUTLOOK FOR SOUTH AFRICA

2025

2026

South Africa GDP at market prices

Government

Community services

Finance

Transport

Trade

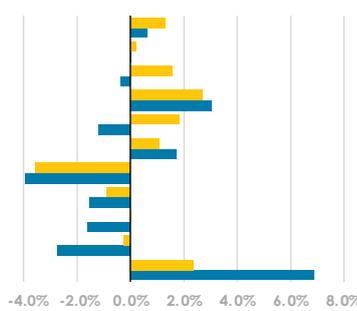
Construction

Utilities

Manufacturing

Mining

Agriculture



### SA GDP OUTLOOK

0.7%  
in 2025

1.3%  
in 2026

### 2025 LARGEST GROWTH CONTRIBUTION



Finance sector  
1.0% points

### 2025 LARGEST NEGATIVE GROWTH CONTRIBUTION



Construction sector  
-0.2% points

## LABOUR STATISTICS (3Q 2025)

Narrow unemployment rate

Youth unemployment rate



### South Africa

31.9%

43.7%



### Western Cape:

19.7%

Contribution to employment growth of SA:

28.1%



### 2024 to 2025

Number of international arrivals surged by

# 11.8%



# WESTERN CAPE FISCAL STRATEGY



## NATIONAL FISCAL ENVIRONMENT

Debt-to-GDP stabilises in 2025/26 and then declines.  
 Stronger revenue and lower borrowing costs.  
 New 3% inflation target.  
 Main budget deficit narrows.



## NATIONAL FISCAL STRATEGY

Sustaining a primary surplus and rebuilding fiscal space.  
 Shifting expenditure toward growth-enhancing capital investment.  
 Implementing National Reforms



## WCG 5-YEAR BUDGET STRATEGY FOCUSED ON:

- Maintaining Fiscal Discipline and Credibility
- Evidenced-based and Targeted Service Delivery enabled through Fiscal Sustainability
- Aligning resource allocation with the 2025 – 2030 Provincial Strategic Plan (PSP)
- Accelerated Growth and Fiscal expansion for more Effective and Impactful Service Delivery

Western Cape Own Revenue Enhancement Strategy

Transfers to Municipalities

Procurement & Financial Systems

Fiscal Futures Tool

Compensation of Employee Strategy

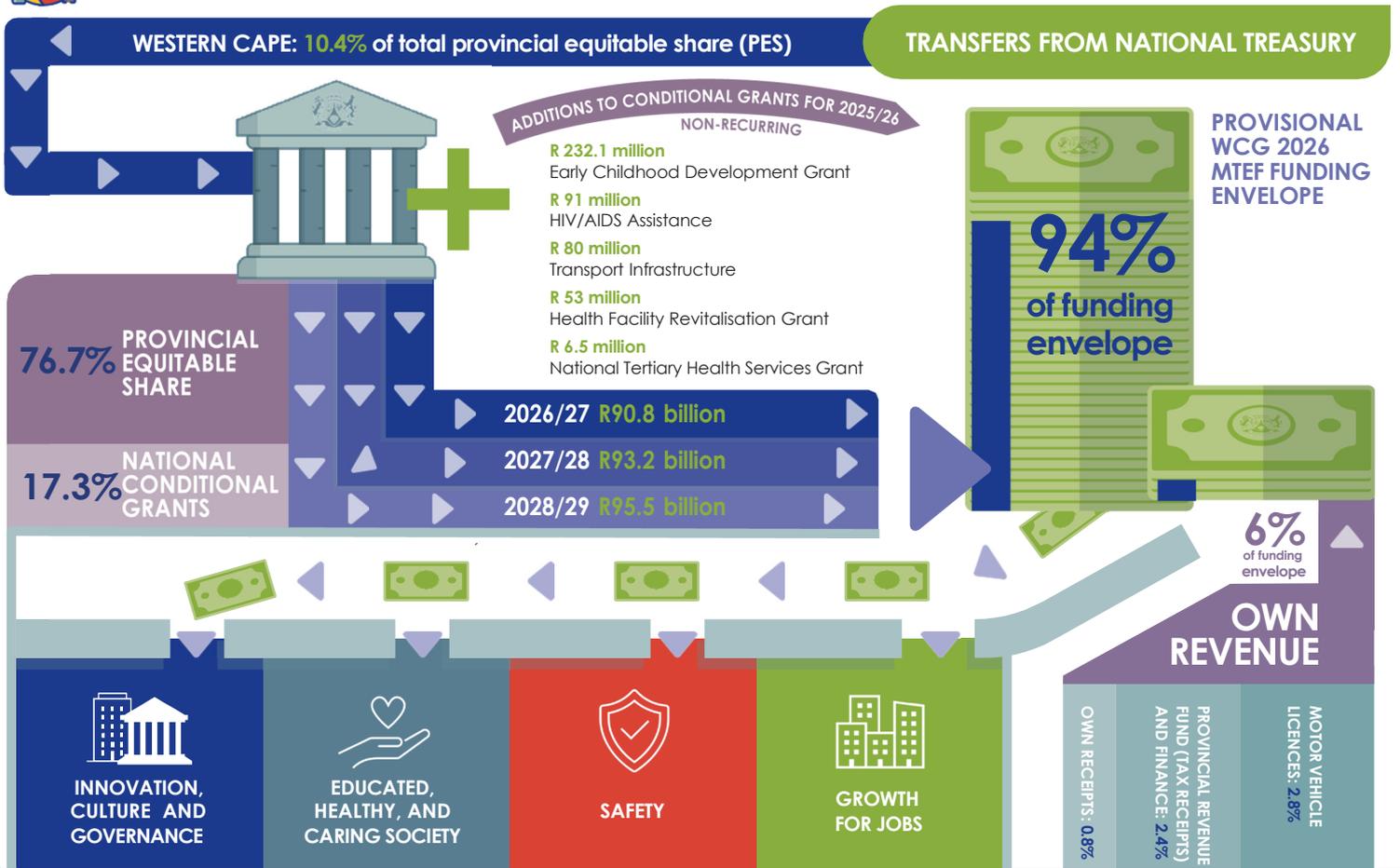
Approach to Infrastructure

Alternative & Blended Financing

# ENABLERS OF THE 2026 BUDGET PROCESS



# WESTERN CAPE FISCAL FRAMEWORK



## BUDGET POLICY PRIORITIES

GROWTH FOR JOBS	SAFETY	EDUCATED, HEALTHY AND CARING SOCIETY	INNOVATION, CULTURE AND GOVERNANCE
Municipal Investment Readiness	LEAP Deployment	Career Guidance and Career Clubs	Impact Strategic Framework
Investment and Export Promotion	Chrysalis Academy Programme	Expansion of Schools of Specialisation	Disaster Risk Management Modernisation
Freeport Saldanha Green Hydrogen Hub Development	K9 Enforcement Units	Industry-Aligned Curriculum and Skills Pathways	Municipal Governance and Fiscal Sustainability
Atlantis SEZ Greentech Expansion	Neighbourhood Watch and CPF Support	Health Services	Technology and Innovation Ecosystem Development
Just Energy Transition Investment Plan	Integrated Surveillance Systems	Expanded Public Works Programme Health Support	Digital Transformation and Broadband
Energy Resilience and Grid Enablement	Area-Based Team Interventions	Community Nutrition and Development Centres	Cape Access and Digital Inclusion
Green Economy Ecosystem Support	Liquor Regulation and Enforcement	Mental Health and Psychosocial Support	Integrated Provincial Governance
Export Competitiveness and Accelerator Programmes	Provincial Traffic Law Enforcement	Child Protection Services	Strategic Supply Chain Management
Skills and Employability Pathways	Rail Safety and Restoration Support	Support for Persons with Disabilities and Older Persons	Alternative and Blended Finance Programme
Ease of Doing Business and Regulatory Improvements	Risk and Vulnerability Assessment	Youth Development and Afterschool Programmes	Data and Evidence Systems Strengthening

## WCG POLICY PORTFOLIO AREAS

Note: The budget policy priorities presented in this infographic are not exhaustive but provide a summary of the content covered in the chapter.

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# Acronyms

AAGR	Average Annual Growth Rate
ABF	Alternative and Blended Financing
ABT	Area Based Teams
AFR	Asset Finance Reserve
AGSA	Auditor-General of South Africa
AI	Artificial Intelligence
AIDS	Acquired Immune Deficiency Syndrome
ASEZ	Atlantis Special Economic Zone
BEA	Bureau of Economic Analysis
BER	Bureau for Economic Research
BCI	Business Confidence Index
BFI	Budget Facility for Infrastructure
BLS	Bureau of Labor Statistics
BPO	Business Process Outsourcing
CAGR	Compound Annual Growth Rate
CASP	Comprehensive Agricultural Support Programme
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
CTIA	Cape Town International Airport
CYCCs	Child and Youth Care Centres
DCAS	Department of Cultural Affairs and Sport
DBSA	Development Bank of Southern Africa
DEA&DP	Department of Environmental Affairs and Development Planning
DEDAT	Department of Economic Development and Tourism
DFIs	Development Finance Institutions
DHIS	District Health Information System
DH&W	Department of Health & Wellness
DLG	Department of Local Government
DOA	Department of Agriculture
DOI	Department of Infrastructure
DORA	Division of Revenue Act
DoTP	Department of the Premier
DPOCS	Department of Police Oversight and Community Safety
DoRAB	Division of Revenue Amendment Bill
DSD	Department of Social Development
DTIC	Department of Trade, Industry and Competition
EC	Eastern Cape

ECD	Early Childhood Development
ECEP	Export Competitiveness Enhancement Programme
ECSA	Engineering Council of South Africa
EDB	Ease of Doing Business
EA	Euro Area
EHACS	Educated, Healthy and Caring Society
EI	Ecological Infrastructure
EIG	Education Infrastructure Grant
EPWP	Expanded Public Works Programme
ERP	Energy Resilience Programme
ePS	e-Procurement Solution
EU	European Union
EV	Electric vehicle
EVs	Electric vehicles
FATF	Financial Action Task Force
FLISP	Finance Linked Individual Subsidy Programme
FTSF	Fiscal Transition Support Facility
FPS	Freeport Saldanha
G4J	Growth for Jobs
GAPS	Governance Action Plans
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GDP-R	Gross Domestic Product by Region (regional GDP)
GEES	Green Economy Ecosystem Support
GNU	Government of National Unity
G&S	Goods and Services
HECTIS	Hospital and Emergency Centre Tracking Information System
HFRG	Health Facility Revitalisation Grant
HIV	Human Immunodeficiency Virus
IC&G	Innovation, Culture and Governance
ICT	Information Communication Technology
IES	Income and Expenditure Survey
IMF	International Monetary Fund
IPP	Independent Power Producer
ISD	Integrated Service Delivery
ITH	Integrated Transport Hub
JDA	Joint District Approach
JDMA	Joint District and Metro Approach
JET IP	Just Energy Transition Investment Plan
JSE	Johannesburg Stock Exchange
KZN	KwaZulu-Natal
LEAP	Law Enforcement Advancement Plan
LP	Limpopo

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LURITS	Learner Unit Record Information Tracking System
MOD	Mass participation; Opportunity and access; Development and growth
MP	Mpumalanga
MTBPS	Medium Term Budget Policy Statement
MTEF	Medium Term Expenditure Framework
MTDP	Medium Term Development Plan
MVL	Motor Vehicle Licence
MW	Megawatt
MYPE	Mid-Year Population Estimate
NDP	National Development Plan
NEA	Not Economically Active
NEET	Not in Education, Employment, or Training
NHWs	Neighborhood Watches
NGOs	Non-Governmental Organisations
NRF	National Revenue Fund
NTSG	National Tertiary Services Grant
OECD	Organisation for Economic Co-operation and Development
PEPFAR	President's Emergency Plan for AIDS Relief
PERO	Provincial Economic Review and Outlook
PES	Provincial Equitable Share
PFMA	Public Finance Management Act
PG MTEC	Provincial Government Medium Term Expenditure Committee
PPF	Project Preparation Facility
PPI	Producer Price Index
PPP	Public Private Partnership
PPPBE	Provincial Policy Planning and Budgeting Engagement
PRASA	Passenger Rail Association of South Africa
PRMG	Provincial Roads Maintenance Grant
PRF	Provincial Revenue Fund
PSDF	Provincial Spatial Development Framework
PSP	Provincial Strategic Plan
PT	Provincial Treasury
PV	Photovoltaic
Q1	First quarter
Q2	Second quarter
Q3	Third quarter
QLFS	Quarterly Labour Force Survey
RAF	Road Accident Fund
R&D	Research and development
RESEP	Regional Socio-Economic Projects
RMB/BER	Rand Merchant Bank/Bureau for Economic Research
SACU	Southern African Customs Union
SAPS	South African Police Service

SARB	South African Reserve Bank
SARS	South African Revenue Service
SCM	Supply Chain Management
SCOA	Standard Chart of Accounts
SDF	Spatial Development Framework
SDG	Sustainable Development Goals
SEZ	Specific Economic Zone
SIDAFF	Sustainable Infrastructure Development and Financing Facility
SITA	State Information Technology Agency
SIME	Strategic Integrated Municipal Engagements
SMMEs	Small, Medium and Micro Enterprises
SOC	State Owned Company
SONA	State of the Nation Address
SROs	School Resource Officers
SSEG	Small-Scale Embedded Generation
StatsSA	Statistics South Africa
SWIMS	Social Work Integrated Management System Application
TARS	Targeted and Responsible Savings
TVET	Technical and Vocational Education and Training
UAVs	Unmanned Aerial Vehicles
UK	United Kingdom
UPFS	Uniform Patient Fee Schedule
US	United States
USD	United States Dollar
VAT	Value-added Tax
VPU	Violence Prevention Unit
WC	Western Cape
WCCCRS	Western Cape Climate Change Response Strategy
WCED	Western Cape Education Department
WCFF	Western Cape Fiscal Futures (model)
WCG	Western Cape Government
WCMD	Western Cape Mobility Department
WCGRB	Western Cape Gambling and Racing Board
WCIF 2050	Western Cape Infrastructure Framework 2050
WCIP	Western Cape Infrastructure Implementation Plan
WCLA	Western Cape Liquor Authority
WCSEB	Western Cape Supplier Evidence Bank
WCSDF	Western Cape Spatial Development Framework
WEO	World Economic Outlook
YoY	Year-on-year





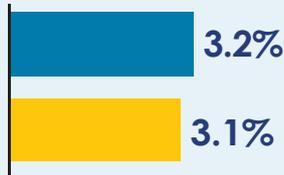
# THE ECONOMIC CONTEXT

## GDP GROWTH OUTLOOK (OCTOBER 2025)

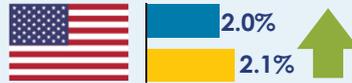
2025

2026

### GLOBAL ECONOMY:



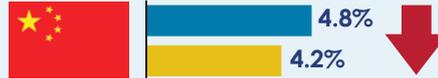
#### UNITED STATES:



#### EURO AREA:



#### CHINA:



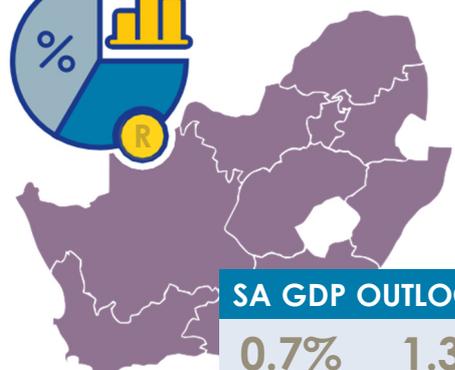
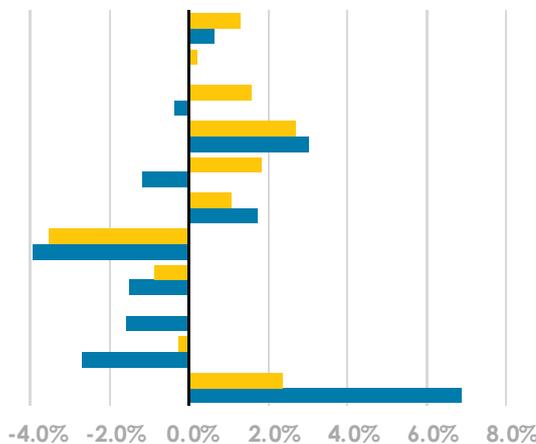
## GDP GROWTH OUTLOOK FOR SOUTH AFRICA

2025

2026

### South Africa GDP at market prices

- Government
- Community services
- Finance
- Transport
- Trade
- Construction
- Utilities
- Manufacturing
- Mining
- Agriculture



### SA GDP OUTLOOK

0.7% in 2025  
1.3% in 2026

## LABOUR STATISTICS (3Q 2025)

Narrow unemployment rate

Youth unemployment rate



### South Africa

31.9% 43.7%



### Western Cape:

19.7%

Contribution to employment growth of SA:

28.1%

## WESTERN CAPE ECONOMIC OUTLOOK

1.2% IN 2025  
1.6% IN 2026

2025 LARGEST GROWTH CONTRIBUTION



Finance sector 1.0% points

2025 LARGEST NEGATIVE GROWTH CONTRIBUTION



Construction sector -0.2% points

## TOURISM IN THE WESTERN CAPE (JAN - SEP 2024 to JAN - SEP 2025)

### CAPE TOWN INTERNATIONAL AIRPORT

#### 2024 to 2025

Number of international arrivals surged by

11.8%



### EMERGING SOURCES OF INTERNATIONAL TOURISM:

Contribution to total growth of international tourism

#### SAUDI ARABIA



8.6%

#### NAMIBIA



6.9%

# 1

## The Economic Context

### In summary

- According to the International Monetary Fund (IMF), the global economy is expected to slow down from 3.3 per cent in 2024; to 3.2 per cent in 2025 and 3.1 per cent in 2026.
- The South African economy is expected to expand by 0.7 per cent in 2025 and 1.3 per cent in 2026, while the Western Cape is projected to grow at 1.2 per cent in 2025 and 1.6 per cent in 2026.
- The South African Reserve Bank (SARB) has officially lowered its inflation target to 3 per cent with a 1 percentage point tolerance band, with expected implications for long-term lending rates, economic growth and the fiscal envelope.
- Saudi Arabia and Namibia have emerged as growing sources of tourism for the Western Cape in 2025.

### Introduction

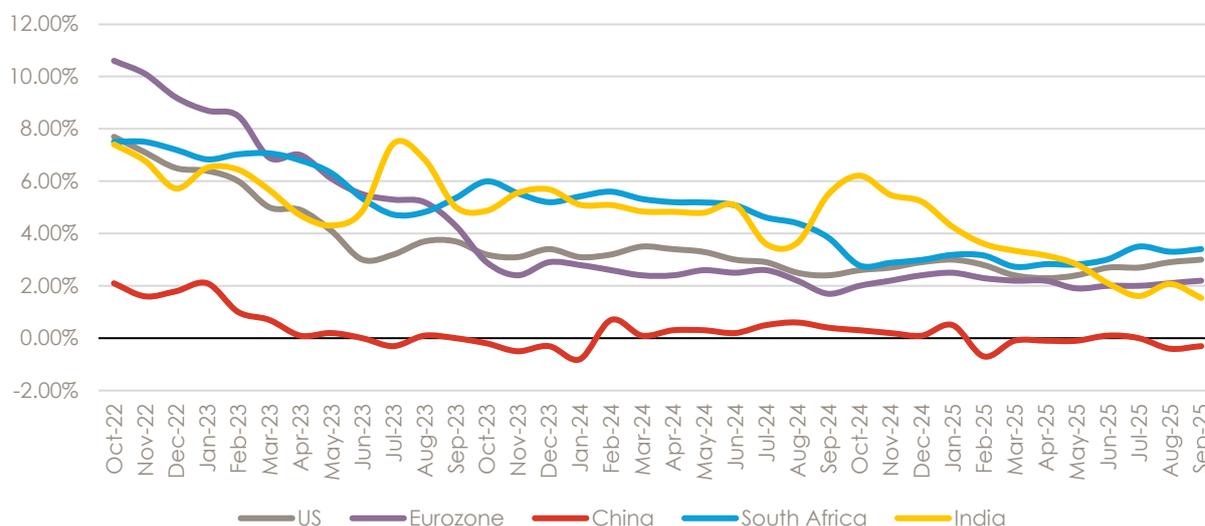
South Africa's economy faces persistent challenges, impacting on the social-economic wellbeing of its people. Progress remains limited, with growth held back by longstanding barriers and missed opportunities. The interaction between economic performance and government finances is key: a strong economy enables more investment in public services, while sound fiscal planning supports growth and resilience. Ultimately, balanced economic and fiscal management drives progress toward improved living standards for all. This chapter provides a concise supplement to the 2025 Provincial Economic review and Outlook (PERO), focusing on statistical updates released after the publication was finalised in mid-September 2025.

### The global economic context

The global economy is heading into a period of flux with dim prospects, shaped by a mix of supportive drivers and significant downside risks. Positive factors include surging artificial intelligence (AI) investments boosting productivity and consumer spending; resilient emerging markets with improved policy frameworks; declining inflation enabling central bank easing; and strategic industrial policies enhancing sector resilience.

Downside risks encompass escalating protectionism and trade tensions; potential AI and tech stock bubbles; fiscal vulnerabilities with rising borrowing costs<sup>1</sup>; labour supply shocks from immigration restrictions and skill shortages; supply chain disruptions in rare earths and energy, sticky core inflation<sup>2</sup>; and institutional erosion<sup>3</sup> undermining economic confidence.

**Figure 1.1 Inflation rates of selected countries, Oct 2022 - Sept 2025**



Source: Trading Economics, StatsSA

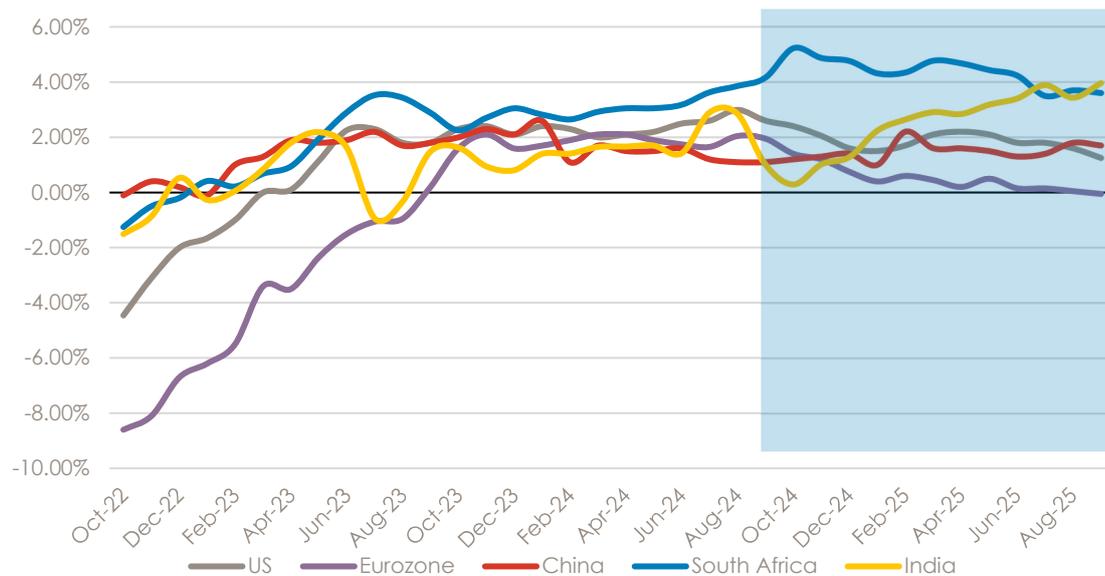
Over the past three years, global inflation has followed a downward trajectory, primarily driven by contractionary monetary policies implemented by central banks through interest rate hikes, as well as the gradual resolution of pandemic-induced supply chain disruptions. However, new risks could place upward pressures on inflation again, particularly the United States (U.S.) import tariffs imposed since April 2025, which may raise the prices for goods and increase consumer costs as businesses pass these expenses on.

Despite U.S. inflation rising by 0.7 percentage points since April 2025, inflation in the U.S. averaged 2.7 per cent from April to September 2025, marginally below the average inflation (2.9 per cent) recorded over the same period in the previous year. Raised U.S. import tariffs have not only affected domestic inflation but may also partially explain China's average deflation rate of -0.1 per cent since April 2025, as an oversupply of goods builds up due to products struggling to be absorbed by the U.S. market.

<sup>1</sup> Public debt approaching 100 per cent of global GDP

<sup>2</sup> Core inflation is a measure of the underlying trend in inflation, calculated by excluding volatile price changes in items like food and energy from broader inflation indexes.

<sup>3</sup> Institutional erosion refers to the gradual decline in the effectiveness, integrity, and public trust in key societal or economic institutions, such as governments, regulatory bodies, or financial systems.

**Figure 1.2 Real central bank lending rates of selected countries, Oct 2022 - Sept 2025**

Source: Trading Economics, StatsSA

The real central bank lending rate refers to the interest rate charged by a central bank to commercial banks, adjusted for inflation. This measure helps indicate whether monetary policy is stimulative (real rates are low or negative, encouraging borrowing and spending) or restrictive (real rates are high, discouraging borrowing and slowing inflation).

Although central bank lending rates generally declined since September 2024, South Africa's average real central bank lending rate has remained elevated at 4.35 per cent since September 2024. This implies a restrictive monetary policy stance compared with countries such as India (2.5 per cent); the U.S. (1.9 per cent); China (1.5 per cent) and the Eurozone (0.6 per cent).

Central banks typically implement expansionary monetary policy to stimulate economic growth, and boost employment. While the central banks of the U.S., China and India have dual objectives of price stability and economic growth, the SARB's core objective is price stability.

**Table 1.1 Global economic performance and outlook, 2024 - 2026**

Region/country	GDP share in			
	PPP (USD) 2024	2024	2025(f)	2026(f)
<b>World Output</b>	<b>100.0%</b>	<b>3.3</b>	<b>3.2</b>	<b>3.1</b>
<b>Advanced Economies</b>	<b>39.9%</b>	<b>1.8</b>	<b>1.6</b>	<b>1.6</b>
US	14.9%	2.8	2.0	2.1
<b>Euro Area</b>	<b>11.6%</b>	<b>0.9</b>	<b>1.2</b>	<b>1.1</b>
Germany	3.1%	-0.5	0.2	0.9
France	2.2%	1.1	0.7	0.9
Japan	3.3%	0.1	1.1	0.6
United Kingdom	2.2%	1.1	1.3	1.3
<b>Emerging Market and Developing Economies</b>	<b>60.1%</b>	<b>4.3</b>	<b>4.2</b>	<b>4.0</b>
China	19.5%	5.0	4.8	4.2
India	8.3%	6.5	6.6	6.2
Russia	3.5%	4.3	0.6	1.0
Brazil	2.4%	3.4	2.4	1.9
Mexico	1.7%	1.4	1.0	1.5
<b>Sub-Saharan Africa</b>	<b>3.2%</b>	<b>4.1</b>	<b>4.1</b>	<b>4.4</b>
Nigeria	0.8%	4.1	3.9	4.2

Source: IMF WEO October 2025

The **U.S. economy** displayed resilience with 2<sup>nd</sup> quarter GDP surging by 3.8 per cent annually, a sharp rebound from the 1<sup>st</sup> quarter's 0.6 per cent contraction, driven by robust consumer spending and investment (Bureau of Economic Analysis, 2025a). However, job growth has slowed, with fewer than 100 000 new jobs added each month, while unemployment edged up slightly to 4.3 per cent in August 2025 (U.S. Bureau of Labor Statistics, 2025a; U.S. Bureau of Labor Statistics, 2025b).

This points to a gradual cooling in the labour market rather than a sharp downturn. The U.S. Federal Reserve responded by easing policy, trimming the federal funds rate by 25 basis points to the 4.00 to 4.25 per cent range in September 2025, with further cuts anticipated (Federal Reserve, 2025). As a result, share markets soared, with the S&P 500 closing near record levels at 6 890.89 on 28 October (Yahoo Finance, 2025).

Congress's failure to pass the national budget triggered a government shutdown on 1 October 2025, which lasted 43 days and became the longest in U.S. history. The shutdown furloughed hundreds of thousands of federal workers without pay, dampened household spending, and is expected to shave up to 1 to 2 percentage points from real GDP growth in the fourth quarter of 2025 before activity partially rebounds in early 2026. The budget lockdown ultimately ended when Congress passed a temporary funding bill that reopened the government at existing spending levels until 30 January 2026 in exchange for a future Senate vote on extending Affordable Care Act subsidies (BBC News, 2025; Bipartisan Policy Center, 2025; Congressional Budget Office, 2025; New York Times, 2025; Reuters, 2025).

#### Inside the U.S. Shutdown: Budget Battles, Furloughed Workers, and Economic Ripples

The United States government shutdown, which began on 1 October 2025, ended after 43 days when Congress reached a funding agreement, signed into law by President Trump on 12 November. About 1.4 million federal workers were either furloughed or working without pay but have now returned to work and will receive backpay. Non-essential government operations, including national parks and federally supported institutions, were closed, while essential services continued, although several programmes faced disruption. Restoring full government services will take time, as backlogs need to be addressed (Al Jazeera, 2025; NPR, 2025; Government Executive, 2025; CBS News, 2025).

The shutdown stemmed from a protracted budget standoff: Republicans, holding both chambers of Congress, demanded a "clean" spending bill, while Democrats insisted on reversing healthcare cuts and restoring social programme funding. The deadlock delayed federal payments and services, affected households and businesses, and led to economic uncertainty. The Congressional Budget Office projects that most of the lost economic activity will be regained in the next few months; nevertheless, the shutdown created disruption, hurt consumer confidence and exposed budget process shortcomings (J.P. Morgan, 2025; Congressional Budget Office, 2025; The Atlantic, 2025; Politico, 2025).

Government shutdowns are a recurring challenge in the U.S., but the 2025 event was notable for its length and impact on public services and the economy. Resolution came only after political and public pressures forced a compromise (Brookings Institution, 2025; Al Jazeera, 2025; Reuters, 2025).

The **Chinese economy** showed resilience in the 2<sup>nd</sup> quarter GDP expanding 5.2 per cent year-on-year before easing to 4.8 per cent in the 3<sup>rd</sup> quarter, keeping the full-year "around 5 per cent" target on track, buoyed by exports despite weak domestic demand (National Bureau of Statistics of China, 2025a; National Bureau of Statistics of China, 2025b).

The labour market remains stable but under pressure, which means unemployment held at 5.2 per cent in September 2025, with 10.57 million new urban jobs added year-to-date, though youth

joblessness persists amid a property slump (National Bureau of Statistics of China, 2025c; China Daily, 2025). The People's Bank of China held key rates steady at 3.0 per cent (Reuters, 2025). Yet, the unresolved property crisis, with sales down 13.9 per cent year-to-date, erodes wealth, curbs spending, and could shave 1 - 2 percentage points off GDP (ING Think, 2025).

The **Eurozone economy** displayed modest resilience with 2<sup>nd</sup> quarter GDP expanding 0.1 per cent quarter-on-quarter, a sharp slowdown from the 1<sup>st</sup> quarter's 0.6 per cent, buoyed by services despite weak manufacturing (Eurostat, 2025a; Trading Economics, 2025a; Euro Area Nowcast, 2025). The labour market remains stable, which means unemployment held steady at 6.3 per cent through September 2025 (Eurostat, 2025b; Eurostat, 2025c).

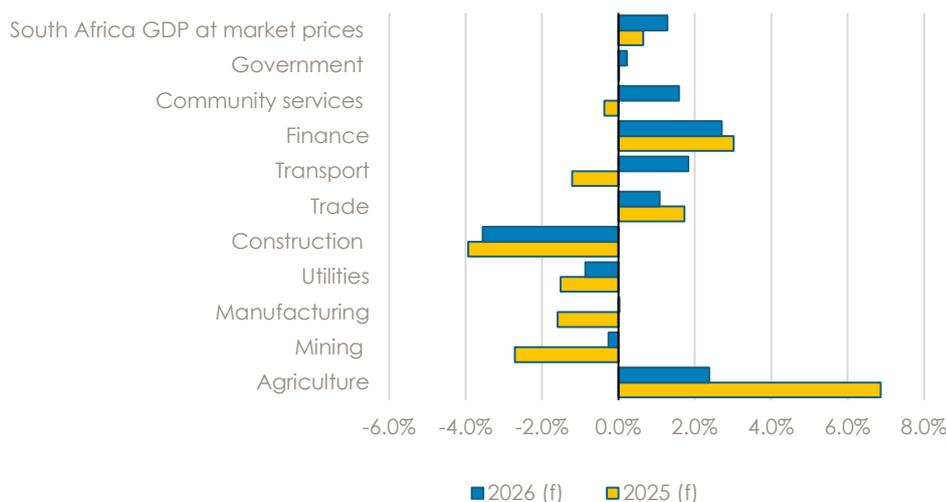
In 2025, Germany revised its strict "debt brake" rules to allow more flexible public spending. The key reform, approved in March 2025, established a €500 billion fund for infrastructure, defence, and climate projects, exempt from the debt brake limits. Defence spending above 1 per cent of GDP can now be financed through borrowing, and a new borrowing margin for states was introduced. While this boosts short-term investment and growth prospects, concerns remain about long-term debt sustainability and whether Germany can afford this level of borrowing indefinitely [Bruegel, 2025a; Bruegel, 2025b; Reuters, 2025].

## ■ Developments and outlook for the South African economy

South Africa's economy in October 2025 has stabilised somewhat, supported by more reliable electricity supply, and improved performance in financial services and agriculture; however, job creation remains slow, and global uncertainty continues to weigh on both household welfare and sovereign debt sustainability (World Bank, 2025; OECD, 2025; Investec, 2025).

Although the country's exit from the financial grey list<sup>4</sup> has lifted some barriers to investment, consumers continue to face high debt burdens and cost-of-living pressures. On a structural level, sluggish fixed investment, persistent governance inefficiencies, and mounting logistical challenges constrain productivity and business confidence.

**Figure 1.3 Projected GDP growth for South Africa, 2025 - 2026**



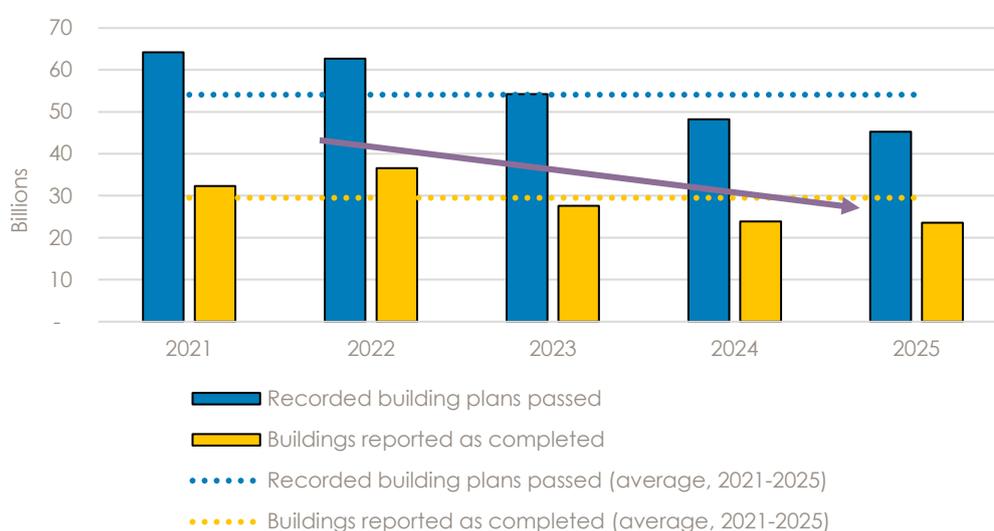
Source: Provincial Treasury

<sup>4</sup> South Africa exited the Financial Action Task Force (FATF) grey list on 24 October 2025, following the conclusion of the FATF Plenary meetings held in Paris from 22 to 24 October 2025.

After eight consecutive annual contractions in GDP, the **Construction sector** is expected to decline again by 3.9 per cent in 2025. The contraction of South Africa's Construction sector over the past eight years is primarily attributed to declining public infrastructure spending, frequent delays and disruptions caused by criminal activity on worksites, weakened economic growth, and persistent underinvestment by state-owned enterprises (Mfebe, 2025; DTIC, 2023; DBSA, 2022; Inclusive Society Institute, 2025).

The expected contraction of the Construction sector in 2025 is underscored by weaker underlying building statistics. The real value of buildings planned and completed in the first 8 months of 2025 was lower than the previous year (-6.2 per cent and -1.0 per cent respectively) and the average over the last five years (-16.3 per cent and -20.1 per cent respectively). The decline in South Africa's Construction sector in 2025 is mainly due to weak investment, high building costs and reduced demand for new projects. Government and private sector spending have both been limited, making it difficult for the industry to grow (BusinessWire, 2025; Afrimat, 2025).

**Figure 1.4 Selected building statistics of the private sector, for the first 8 months of each year at 2019 prices, 2021 - 2025**

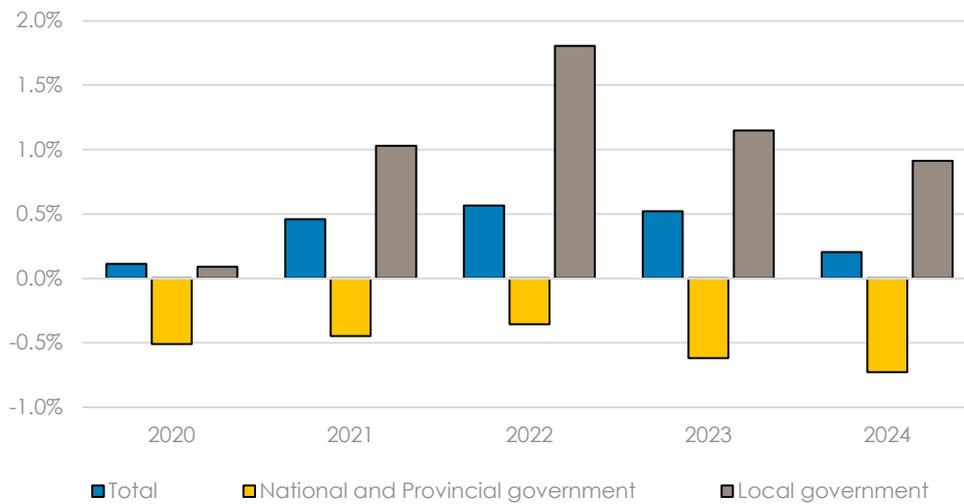


Source: Quantec, own calculations

Furthermore, the real value of building plans passed and completed shows a declining trend over the past three years. While the government is pursuing ambitious plans for large-scale infrastructure development and energy reform, progress remains gradual and the realisation of these gains will take time.

Government plays a pivotal role in fixed investment in buildings and construction works, and hence the Construction sector in South Africa continues to make a significant contribution (18.2 per cent) to the total capital stock of building and construction works in 2024. However, over the past five years, this contribution has declined by 0.6 percentage points.

**Figure 1.5 Annual growth in real value of buildings and construction works (Net Fixed Capital Formation), 2020-2024**



Source: Quantec, own calculations

From 2020 to 2024, annual growth in capital stock for buildings and construction works by the national and provincial governments declined for five consecutive years, significantly impacting on total net fixed capital investment in buildings and construction works in South Africa. Over a five-year period, the declining fixed investment from national and provincial government shaved 0.4 percentage points off a 1.9 per cent expansion in capital stock of buildings and construction works.

While local government made positive contributions, most notably in 2022 (1.8 per cent), it could not offset the decline in fixed investment of capital stock from national and provincial governments, which was five times larger than local government's contribution in 2024.

South Africa's **Manufacturing sector** is expected to contract by 1.6 per cent in 2025, deepening the de-industrialisation process as outlined in the 2025 PERO publication. The Sector is responsible for half of total real exports and therefore makes the most important contribution toward external capital injections into the national economy. However, the recent increase in trade import tariffs from the U.S., combined with a global shift toward electric motor vehicles, is likely to have a significant negative impact on the Sector and the national economy.

### Global Acceleration of Electric Vehicle Adoption and South Africa's Policy Response

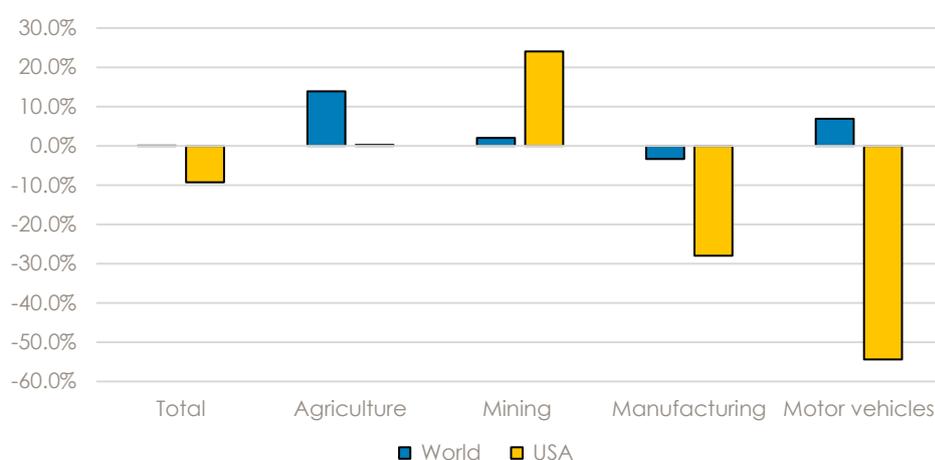
There has been a rapid global shift toward electric cars, driven by technological innovation, supportive policies, declining battery costs, and efforts to cut transport emissions. In 2025, electric vehicles (EVs) accounted for about 43 per cent of new car sales worldwide, compared to only 9 per cent in 2019, with China leading adoption, followed by Europe and the United States (BloombergNEF, 2025; International Energy Agency, 2025; Visual Capitalist, 2025).

Governments have set ambitious targets, such as phasing out internal combustion engines and expanding charging infrastructure, while major automakers have accelerated investment in electric models (International Energy Agency, 2025; Virta, 2025). Despite growth, regional disparities persist due to uneven policy support, infrastructure development, and affordability (ScienceDirect, 2025; S&P Global, 2025).

South Africa has taken concrete steps to encourage electric vehicle (EV) production and adoption, introducing new policies and incentives such as a 150 per cent tax deduction for investments in electric and hydrogen vehicle manufacturing, effective from March 2026 and will run for ten years (TechCentral, 2025; EV24, 2025; Engineering News, 2025). However, most cars produced locally still run on traditional fuel, and high import duties, 25 per cent on EVs and additional tariffs on batteries, continue to limit consumer demand and market growth (EV24, 2025).

A comparison of nominal exports from South Africa between April and September 2025, with exports over the same period the previous year to the world and the U.S., shows that total exports remained virtually unchanged (0.1 per cent), while exports to the U.S. contracted by 9.3 per cent.

**Figure 1.6 Percentage change in exports from South Africa to the world and the U.S., April - September 2024 vs April - September 2025**



Source: Quantec, own calculations

While Mining exports to the U.S. increased significantly by 24.0 per cent, Agriculture exports remained virtually unchanged at 0.2 per cent. However, the exports of the Manufacturing sector declined significantly by 28.0 per cent, largely due to a 54.4 per cent drop in motor vehicle exports. Despite the significant decline in motor vehicle exports to the U.S., overall exports of motor vehicles increased by 6.8 per cent.

South Africa's **Agricultural sector** has achieved a strong recovery in the first half of 2025 and is expected to expand by 6.9 per cent in 2025. South Africa's agricultural sector recovery in 2025 is mainly driven by strong field crop yields, improved weather conditions, rising water availability for irrigation, and strong export growth in the first three quarters of 2025 (12.0 per cent).

Over the past decade, the rapid growth in exports of strawberries, as well as raspberries, blackberries, mulberries and loganberries, from the Western Cape has stood out as one of the

major success stories in the Province's agriculture sector. Between 2015 and 2024, strawberry exports surged by more than one hundred-fold to exceed R646.012 million in 2024, while the export value of raspberries, blackberries, mulberries and loganberries increased by 5.5 times to reach R531.137 million in the same year. The remarkable expansion in berry exports reflects both increased demand in global markets and targeted support for high-value, water-smart crops in the region, further reinforcing the Western Cape's position in South Africa's export-oriented agricultural landscape.

The **Finance sector** continues to underpin growth, supported by innovation in digital banking and favourable credit conditions. The Sector is expected to expand by 3.0 per cent in 2025 and is expected to make the largest contribution (0.8 percentage points) to South Africa's economic expansion.

Overall, the economy's prospects for 2025 are uneven, shaped by both positive reforms and persistent domestic and international challenges. South Africa's GDP is projected to expand by 0.7 per cent in 2025 and 1.3 per cent in 2026.

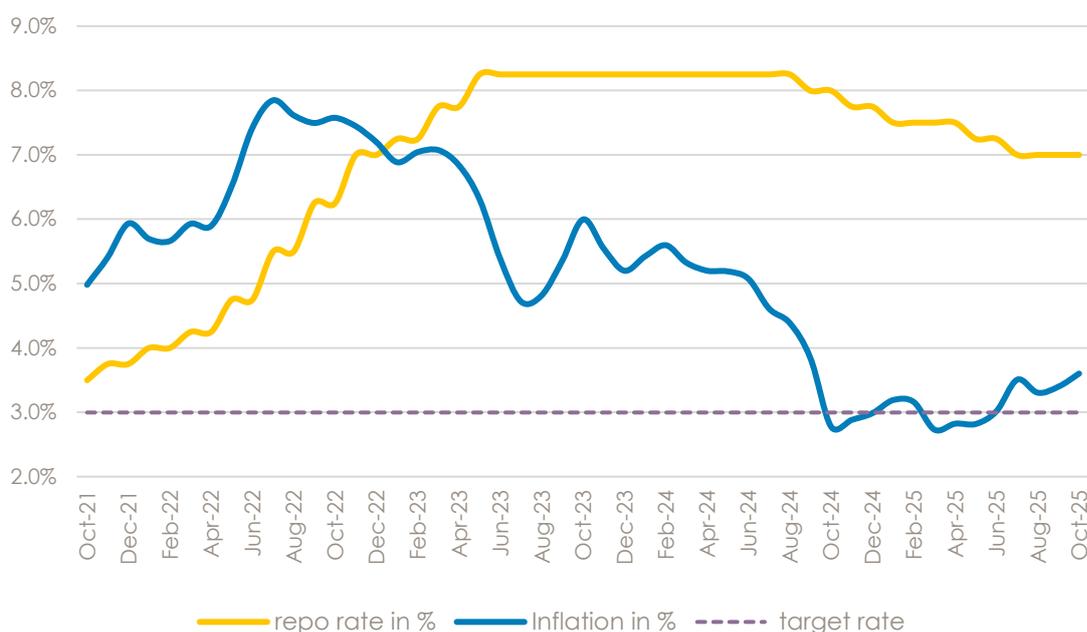
### Inflation

Inflation in South Africa is a key indicator of economic stability and purchasing power, closely monitored by policymakers and analysts. The SARB's new strategy is to aim for lower inflation, shifting its main target to 3 per cent, to anchor expectations and make low inflation the "new normal".

Lowering South Africa's inflation target to 3 per cent means the Reserve Bank will aim to keep price rises low and stable. This helps anchor expectations for low inflation, making borrowing cheaper and boosting confidence for businesses and households.

Over time, the currency may strengthen, and interest rates could be cut, making loans more affordable and supporting growth. However, government will have less flexibility in budgets, and managing wages and spending may be more challenging while the change is underway. Overall, stable and low inflation benefits consumers, investors, and the economy.

**Figure 1.7 Repo rate and inflation for South Africa, Oct 2021 - Oct 2025**



Source: Quantec, own calculations

South Africa's headline inflation increased by 0.2 percentage points from the previous month to 3.6 per cent in October 2025, while the latest repo rate cut from the SARB occurred in November 2025, when the repo rate was lowered by 25 basis points to 6.75 per cent. Since September 2024, the repo rate has been lowered by a total of 150 basis points.

The SARB expects headline inflation to average 3.4 per cent this year, reflecting upward adjustments to food and services prices, partly offset by a stronger exchange rate.

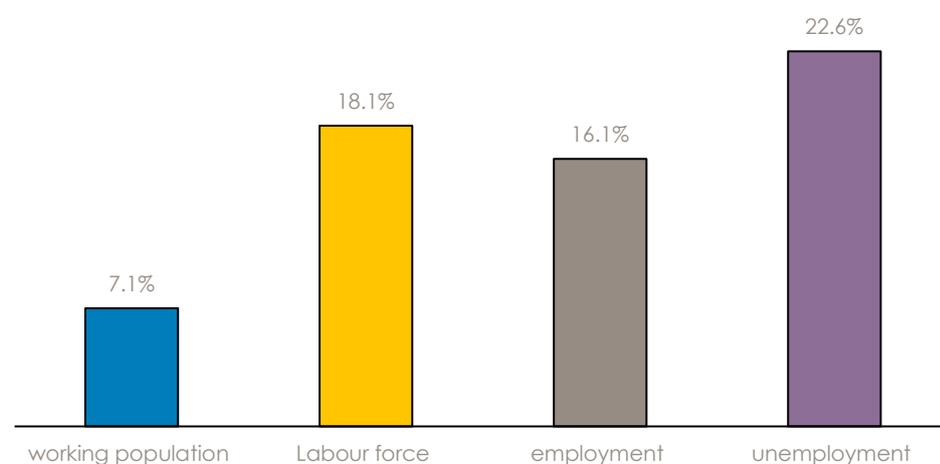
### Labour dynamics

South Africa's labour market is shaped by complex structural challenges, including deep-rooted inequalities, skills shortages, and barriers to meaningful job creation. Economic growth has often failed to translate into sustainable employment opportunities, leaving many residents excluded from the benefits of development. The interplay between education, geographic access, and a changing industrial landscape further complicates efforts to connect people to productive work and advance social progress.

Between the 3<sup>rd</sup> quarters of 2020 and 2025, the narrow labour force grew by an additional 3.838 million people, while unemployment rose by 1.474 million people, representing 38.4 per cent of new labour force entrants.

Consequently, unemployment (22.6 per cent) grew notably faster than the labour force (18.1 per cent) and employment (16.1 per cent). The narrow unemployment rate rose by 1.2 percentage points from the same quarter of 2020 to reach 31.9 per cent in the 3<sup>rd</sup> quarter of 2025.

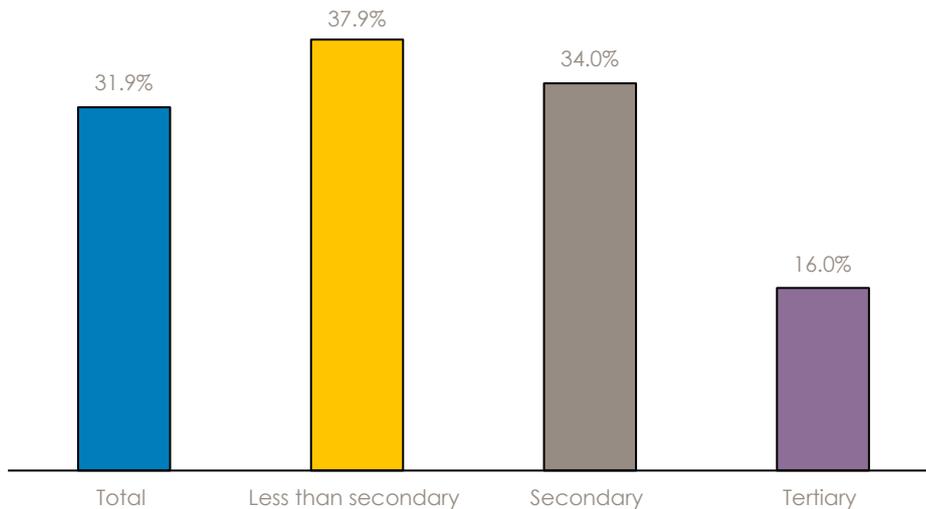
**Figure 1.8 Growth in selected labour indicators in South Africa, 3Q2020 - 3Q2025**



Source: Quantec, own calculations

South Africa's youth is disproportionately affected by the crisis. Over the period, the youth's total labour force expanded by 18.6 per cent, while employment opportunities among the youth increased by 17.5 per cent. As a result, the youth unemployment rate increased by 0.5 percentage points to 43.7 per cent in the 3<sup>rd</sup> quarter of 2025. Over the same period, the portion of youth not in employment, education or training increased by 2.0 percentage points to 33.9 per cent in the 3<sup>rd</sup> quarter of 2025.

Unlocking access to quality education equips people with the tools to succeed in a constantly evolving world, enabling them to pursue rewarding careers and adapt to new opportunities. Education also fuels innovation and helps build resilient communities, acting as a vital engine for progress in both personal and economic spheres.

**Figure 1.9 South African unemployment rate per education cohort 3Q2025**

Source: Quantec, own calculations

Between the 3<sup>rd</sup> quarters of 2020 and 2025, employment gains recorded among the tertiary (21.6 per cent) and secondary education cohorts (23.2 per cent) were significantly more than observed among the lower than secondary education cohort (3.8 per cent).

The impact of education on employability is evident when analysing unemployment rates across different education levels. In the 3<sup>rd</sup> quarter of 2025, the unemployment rate for individuals with tertiary education (16.0 per cent) was substantially lower than for those with lower educational qualifications.

## ■ Developments and outlook for the Western Cape economy

The Western Cape's economy is driven by a diverse mix of financial services, technology, tourism, and export-oriented agriculture. Strong governance, a vibrant business environment, and a commitment to good governance support the Province's economic performance. Combining urban dynamism with abundant natural resources, the Western Cape offers a balanced and competitive economic landscape.

The Western Cape economy is broadly tracking national trends but has several distinct advantages that could lift its performance above the national outlook. Sectors expected to excel in 2025 include the Finance (3.2 per cent) and Agriculture (6.0 per cent) sectors, both of which have a larger presence of 7.4 percentage points and 1.1 percentage points respectively in the Province, when compared to the national economy.

**Table 1.2 Western Cape Economic Outlook, 2025 – 2026**

	Annual growth		Growth contribution	
	2025 (f)	2026 (f)	2025 (f)	2026 (f)
Agriculture	6.0%	1.8%	0.0	0.1
Mining	0.0%	-1.3%	-0.0	-0.0
Manufacturing	-1.5%	0.8%	0.1	0.1
Utilities	-1.0%	-0.4%	-0.0	-0.0
Construction	-3.8%	-3.4%	-0.2	-0.1
Trade	1.4%	0.6%	-0.1	0.1
Transport	-0.8%	2.5%	0.2	0.3
Finance	3.2%	3.0%	1.0	1.0
Community services	0.1%	1.5%	0.2	0.2
Government	-0.1%	0.3%	0.0	0.0
Western Cape GDP at market prices	1.2%	1.6%	1.2%	1.6%

Source: Quantec, own calculations

In contrast, sectors expected to struggle in 2025, include the Mining (0.0 per cent), Community services (0.1 per cent), and Government (-0.1 per cent) sectors. These sectors make relatively smaller contributions to the Provincial economy. The differences in total contribution of the Mining (-4.7 percentage points), Community Services (-5.7 percentage points) and Government (-2.9 percentage points) when the Province is compared to South Africa were substantial in 2024.

Additional factors supporting the faster economic growth in the Western Cape when compared to the national economy include a faster-growing population; positive external economic injections in the form of a substantial international tourism industry; and a lower unemployment rate.

After expanding by 0.7 per cent in 2024, economic growth in the Western Cape is expected to increase by 1.2 per cent in 2025 and 1.6 per cent in 2026. The upward revision to the Western Cape's 2025 economic prospects is based on a revised inflation target to 3 per cent by the SARB, which was formalised in November 2025; and the relatively insignificant impact of U.S. import tariffs on citrus exports.

The lowering of the inflation target should lead to lower lending rates in the long run; supporting credit growth and property prices and hence the Finance sector in particular; combined with the negligible effects thus far of increased U.S. trade tariffs on overall exports of agricultural commodities. The Western Cape exports more than half of South Africa's total agriculture exports.

## Trade

The Western Cape is a vital export hub for South Africa. In 2024, it contributed 10.3 per cent of total national exports, accounted for 11.1 per cent of all manufacturing goods exported, and represented 53.6 per cent of all agricultural commodity exports.

When comparing six months of additional import tariffs introduced by the U.S. in 2025 with the same period the previous year, the Western Cape's Agriculture sector remained undeterred with a 14.0 per cent increase in exports to the U.S. and an 18.4 per cent increase in exports to the world.

Some agricultural exports to the United States remained strong in 2025 mainly because exemptions were granted for key products such as oranges, macadamia nuts and fruit juices, allowing exporters to ship more of these goods. Exporters also took advantage of a temporary tariff pause to front-load supplies, and overall national export exposure to the U.S. is limited, helping cushion the impact of higher tariffs on other products (Daily Maverick, 2025).

**Figure 1.10 Percentage change in exports from Western Cape to the world and the U.S., April - September 2024 vs April - September 2025**

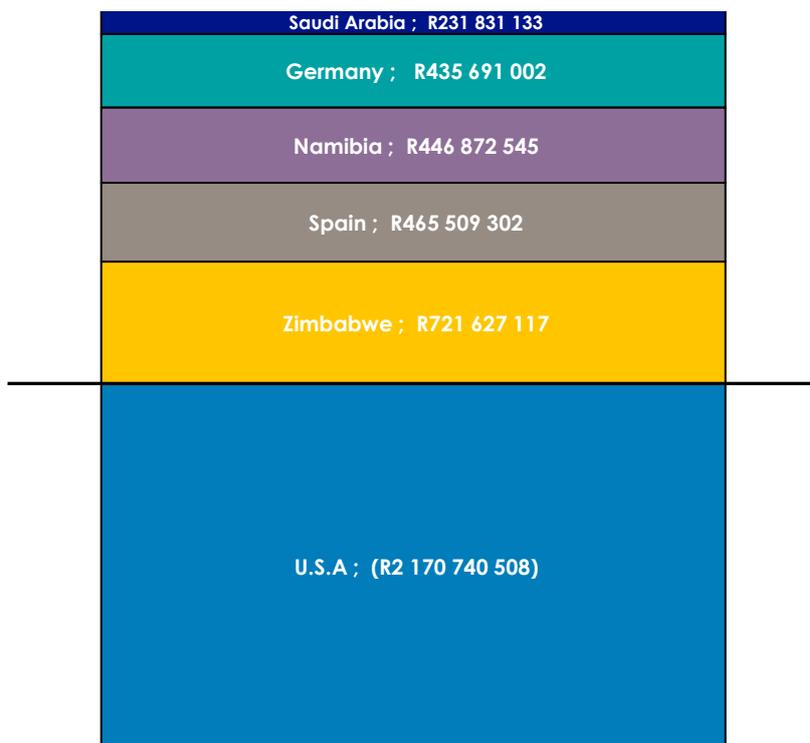


Source: Quantec, own calculations

However, the Manufacturing sector was significantly affected by increased import tariffs with a 26.5 per cent decline in exports to the U.S., leaving total Manufacturing exports to the world virtually unchanged at 0.1 per cent. Exports of manufactured goods (58.9 per cent) made the largest contribution to total exports from the Western Cape in 2024. Manufactured goods are generally more affected by U.S. import tariffs than agricultural products because they rely less on exemptions, face stiffer competition, and have higher sensitivity to cost increases.

The U.S. accounted for manufacturing export losses of R2.1 billion in 2025 compared to the same period the previous year. However, these export losses could be mitigated by the top five countries based on export gains over the same period. Cumulatively, exports of manufacturing goods to these countries were R2.3 billion more in 2025 than the same period the previous year (see Figure 1.11).

**Figure 1.11 Percentage change in the nominal value of manufacturing exports, between April - September 2024 and April - September 2025 from the Western Cape**



Source: Quantec, own calculations

Most notably, two African countries were among the top five countries with the largest export gains in nominal terms from the Western Cape. Zimbabwe (R721.6 million) recorded the largest export gains for the Western Cape from April to September in 2025, when compared to the same period the previous year, while Spain (R456.5 million) and Namibia (R446.9 million) also recorded significant export growth.

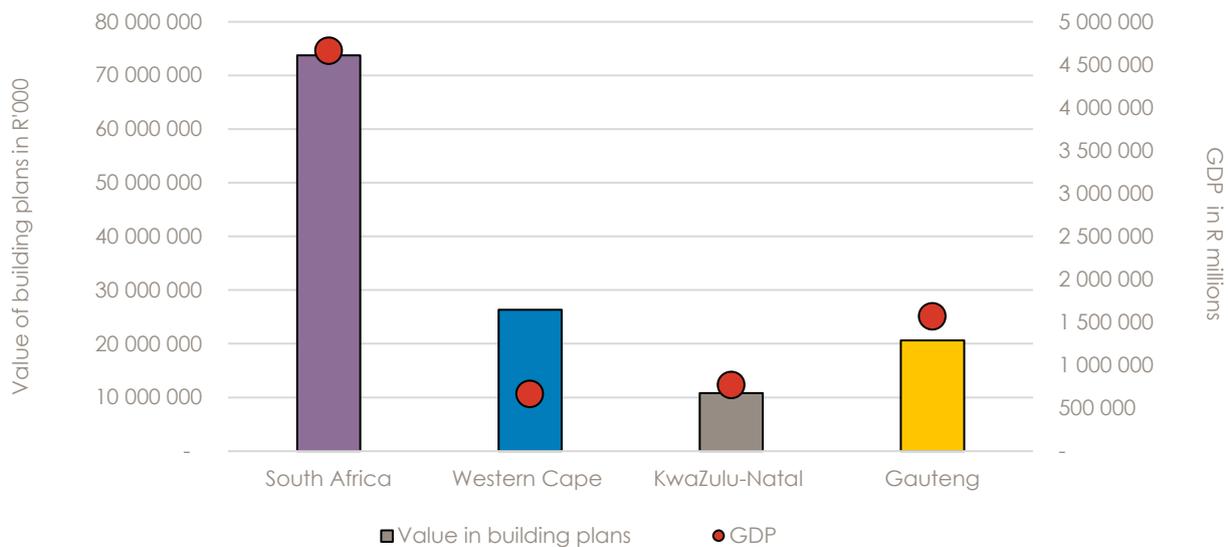
Overall, when the six-month period of increased U.S. import tariffs of 2025 is compared to the same period the previous year, exports from the Western Cape declined to the U.S. by 17.3 per cent, while total exports increased by 6.7 per cent.

### Investment

Fixed investment plays a critical role in the development and growth of an economy. By allocating resources to physical assets such as machinery, buildings, and infrastructure, fixed investment drives productivity improvements, supports job creation, and boosts the economy's long-term capacity to produce goods and services.

In 2024, the bulk of capital stock in the Western Cape comprised of buildings and construction works (73.5 per cent). Growth in buildings and construction is therefore a key driver of fixed investment in the Western Cape, supporting the Construction sector, jobs and economic expansion in general.

**Figure 1.12 Nominal value of recorded building plans passed in South Africa, the Western Cape, KwaZulu-Natal and Gauteng, Jan - Sept 2025**



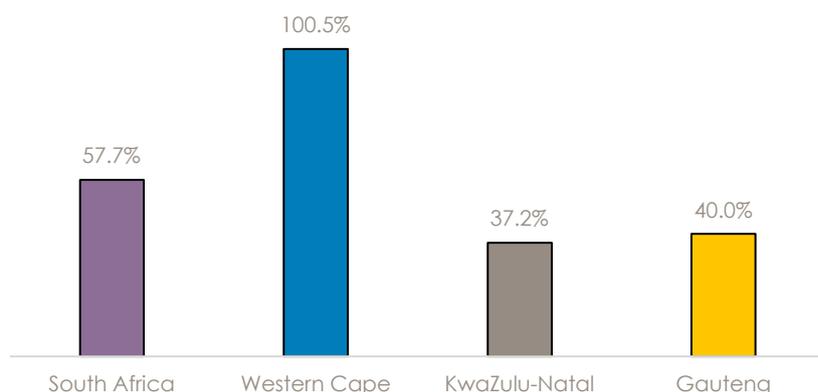
Source: Quantec, own calculations

In the first nine months of 2025, the nominal value of building plans in the Western Cape (WC) exceeded two larger provincial economies in Gauteng (2.4 times larger than WC) and KwaZulu-Natal (1.2 times larger than WC), an indication of relatively higher interest of fixed investment in buildings and construction works in the Western Cape.

Over the period, the nominal value of building plans in the Western Cape was at R26.387 billion, 27.9 per cent higher than Gauteng and 143.4 per cent more than KwaZulu-Natal. The anomaly can be attributed to a decline in the nominal value of building plans for the first nine months in South Africa (-9.1 per cent), Gauteng (-25.0 per cent) and KwaZulu-Natal (-24.1 per cent) since 2021, while the nominal value of the Western Cape's building plans increased by 19.2 per cent over the same period.

As a result, the Western Cape's total share in the total value of building plans passed in South Africa increased from 27.3 per cent in 2021 to 35.8 per cent in 2025. However, the nominal value of building plans passed in the first nine months of 2025 was still lower than over the same period in 2022 (-3.5 per cent) in the Western Cape.

Rising property prices attract more investment by signalling potential for higher returns. As prices increase, investor demand grows, fuelling further development and price appreciation.

**Figure 1.13 Growth in residential property price index in South Africa and selected provinces, 2015 - 2024**

Source: Quantec, own calculations

Growth in residential property prices expressed in average December 2020 prices shows that real residential property prices have doubled in the Western Cape over the past decade (100.5 per cent). In contrast, real residential property price growth in Gauteng (40.0 per cent) and KwaZulu-Natal (37.2 per cent) was significantly lower over the same period.

A lower inflation target of 3 per cent accompanied by lower average repo rates is likely to have a positive impact on property prices; investment in residential real estate; and the Construction sector in South Africa.

#### International Demand and Property Prices in the Western Cape

International demand is significantly influencing property prices in the Western Cape, particularly in Cape Town. In the first five months of 2025, foreign buyers spent over R1 billion on Cape Town properties, dominating high-value transactions in luxury areas such as the Atlantic Seaboard and Southern Peninsula.

This surge is driven by strong foreign investor interest, limited housing supply, favourable exchange rates, and global economic uncertainty. International buyers now account for up to 6 per cent of all home sales in the region, often purchasing well above average prices and placing upward pressure on the market.

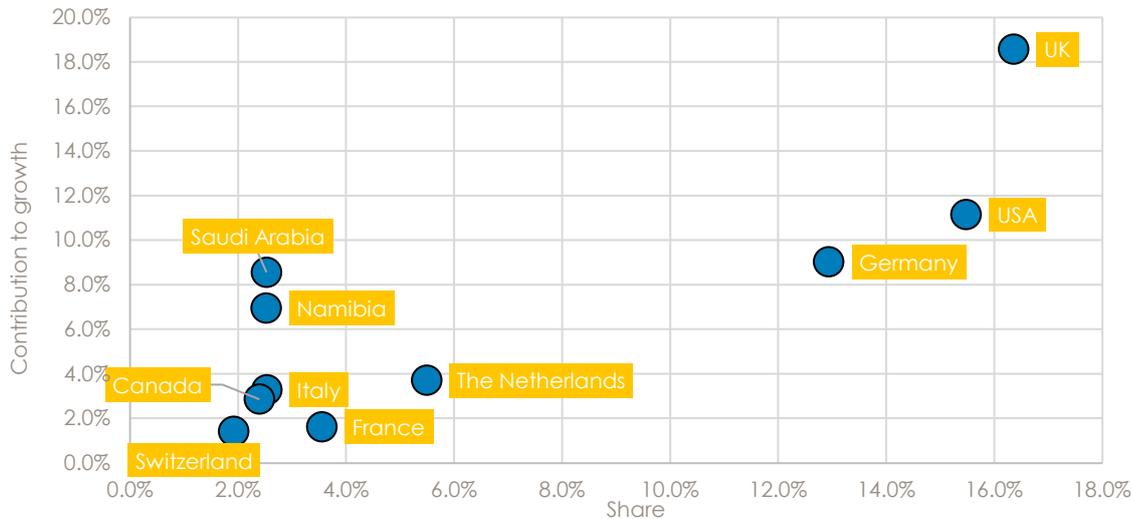
The influx of foreign capital is turning Cape Town into a sought-after global luxury destination. However, it also raises affordability concerns as many of these properties remain inaccessible to most local buyers (EWN.2025; Cape Town Etc, 2025; Nova News, 2025).

#### Tourism

International tourism is a major driver of economic growth in the Western Cape, supporting thousands of jobs and contributing to the vibrancy of local businesses and communities.

Foreign overnight visitor arrivals at Cape Town International airport over the first nine months of 2025 show that the United Kingdom (U.K.) remains the largest single source of tourism to the Western Cape (16.4 per cent); followed by the U.S. (15.5 per cent) and Germany (12.9 per cent).

**Figure 1.14 Foreign overnight visitors at Cape Town International airport; contribution to growth per country (Jan - Sept 2025 vs Jan - Sept 2024); and share per country (Jan - Sept 2025)**



Source: Quantec, own calculations

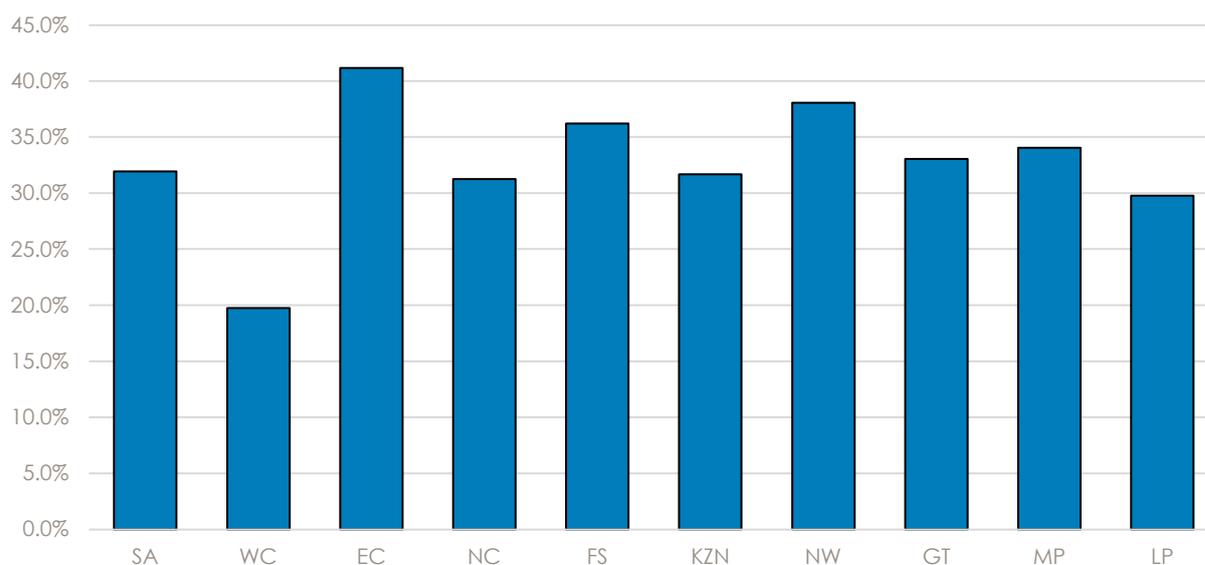
Over the first nine months of 2025, total foreign overnight visitor arrivals at Cape Town International Airport increased by 11.8 per cent or 75 549 visitors compared to the same period the previous year. The U.K. (18.6 per cent) made the largest contribution to growth, followed by the U.S. (11.2 per cent) and Germany (9.0 per cent); while Saudi Arabia (8.6 per cent) and Namibia (6.9 per cent) also made substantial contributions to total growth.

Over the same period, Saudi Arabia and Namibia emerged as growing sources of international tourism to the Western Cape. Saudi Arabia's contribution to growth (8.6 per cent) between the first 9 months of 2024 and 2025 significantly exceeded its share of total foreign overnight visitors (2.5 per cent) in the first 9 months of 2025. The same trend was also observed for Namibia (4.4 percentage points difference).

## Labour

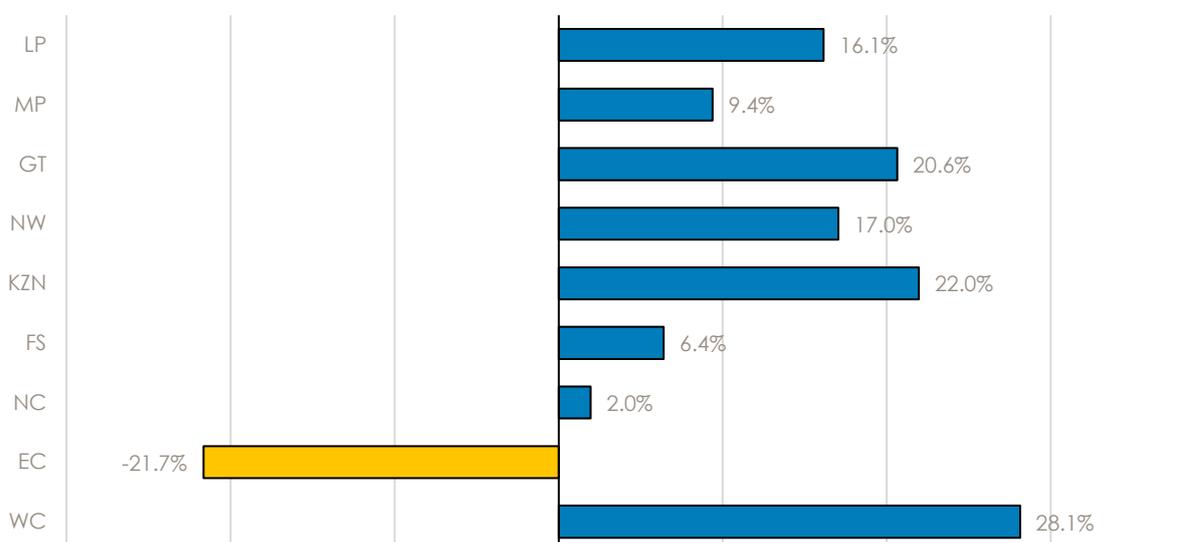
Employment is crucial for economic development because it provides individuals with the means to support themselves and their families, stimulates local and national economies through consumer spending, and fosters social stability. High levels of employment drive business expansion, increase tax revenue for public services, and help reduce poverty, making it a central focus for both policymakers and communities.

In the 3<sup>rd</sup> quarter of 2025, the Western Cape unemployment rate declined by 1.4 percentage points from the previous quarter to 19.7 per cent. In the same quarter, the Province added 70 000 employment opportunities, an increase of 2.5 per cent from the previous quarter. The bulk of employment gains for the Province occurred in the Construction (50.0 per cent); Trade (34.9 per cent) and Finance sectors (27.8 per cent).

**Figure 1.15 Unemployment rates per province, 3Q2025**

Source: Quantec, own calculations

In the 3<sup>rd</sup> quarter of 2025, the Western Cape had the lowest unemployment rate (19.7 per cent) among provinces; 10.0 percentage points lower than the Limpopo province, with the second lowest unemployment rate, and 21.4 percentage points less than the Eastern Cape, the province with the highest unemployment rate.

**Figure 1.16 Contribution per province in employment gains of South Africa, 3Q2025**

Source: Quantec, own calculations

In the 3<sup>rd</sup> quarter of 2025, the Western Cape made the largest contribution (28.1 per cent) to South Africa's total employment gains; followed by contributions from KwaZulu-Natal (22.0 per cent) and Gauteng (20.6 per cent). The Eastern Cape was the only province with employment losses (- 54 000 employment opportunities) in the 3<sup>rd</sup> quarter of 2025.

## ■ Conclusion

Global growth prospects remain uncertain and subdued, even as global inflation trends lower, reflecting improving conditions alongside persistent structural challenges. South Africa's outlook remains weak; however, recent positive developments, such as the country's exit from the financial grey list and the adoption of a lower official inflation target, are creating opportunities for investment, financial stability, and long-term growth.

The Finance and Agriculture sectors continue to anchor economic stability, despite headwinds facing the Manufacturing sector from U.S. import tariffs and the ongoing contraction in the Construction sector caused by reduced public infrastructure investment.

However, the Western Cape demonstrates comparatively strong economic performance. Robust growth in building plan approvals, rising property values, and sustained resilience in key sectors continue to support the Province's economic outlook. At the same time, the influx of international tourists from emerging markets such as Saudi Arabia and Namibia is contributing additional dynamism to the Provincial economy. This momentum bodes well for the realisation of its Growth for Jobs Strategy and reinforces the Province's competitive economic position relative to the national economy.

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# WESTERN CAPE FISCAL STRATEGY



## NATIONAL FISCAL ENVIRONMENT

Debt-to-GDP stabilises in 2025/26 and then declines.  
 Stronger revenue and lower borrowing costs.  
 New 3% inflation target.  
 Main budget deficit narrows.



## NATIONAL FISCAL STRATEGY

Sustaining a primary surplus and rebuilding fiscal space.  
 Shifting expenditure toward growth-enhancing capital investment.  
 Implementing National Reforms



## WCG 5-YEAR BUDGET STRATEGY FOCUSED ON:

- Maintaining Fiscal Discipline and Credibility
- Evidenced-based and Targeted Service Delivery enabled through Fiscal Sustainability
- Accelerated Growth and Fiscal expansion for more Effective and Impactful Service Delivery
- Aligning resource allocation with the 2025 – 2030 Provincial Strategic Plan (PSP)



## FISCAL PRINCIPLES AND VALUES

### Principles:

- Allocative Efficiency: Directing resources to areas of greatest impact.
- Productive Efficiency: Maximising value from available resources.
- Long-run Fiscal Sustainability: Prudent choices that preserve resilience.

### Underpinned by values of:

- Trust and Transparency
- Fairness: Protecting basic services outcomes with growth as an enabler
- Value for money: Evidence-based approach
- Prioritising policy commitments
- Strategic downscaling and terminations at programme level
- Critical areas to be prioritised
- Minimising, mitigating and managing risks
- Innovation: Identifying enablers and exploring opportunities

Western Cape Own Revenue Enhancement Strategy

Transfers to Municipalities

Procurement & Financial Systems

Fiscal Futures Tool

Compensation of Employee Strategy

Approach to Infrastructure

Alternative & Blended Financing

## ENABLERS OF THE 2026 BUDGET PROCESS



### KEY NATIONAL REFORMS

- Targeted and Realistic Savings through spending reviews
- Rules-based fiscal anchors
- Overhaul of budget structures and timelines
- Medium Term Development Plan (MTDP)-aligned planning & budgeting
- BFI quarterly submissions
- Should be Gender Responsive Budgeting (GRB) & Climate Budget Tagging (CBT)



### WCG ALIGNMENT

- Institutionalised provincial expenditure reviews
- Scenario-based fiscal futures modelling
- PSP-aligned planning and prioritisation
- Strengthening Budget Facility for Infrastructure (BFI) project readiness and provincial pipeline
- Phased adoption of GRB and CBT practices

# 2

## The Western Cape Fiscal Strategy

### In summary

- National fiscal priorities for the 2026 Medium Term Expenditure Framework (MTEF) focuses on stabilising debt, shifting expenditure toward growth-enhancing capital investment, and improving spending efficiency through the Targeted and Responsible Savings initiative.
- Lower inflation and the new 3 per cent target may reduce borrowing costs over time but introduce service-delivery pressures as non-wage costs could potentially rise above the Consumer Price Index.
- The Western Cape Government's (WCG) Five-Year Budget Approach aligns budget priorities with risk, evidence, and the 2025 – 2030 Provincial Strategic Plan, enhancing predictability and outcome-driven resource allocation.
- National budget reforms and WCG reforms are strongly aligned, focusing on spending discipline, better planning–budget coherence, strengthened fiscal anchors, and improved infrastructure preparation and financing.
- The WCG is advancing its own budget reforms, including scenario-based fiscal planning, enhanced expenditure reviews, and improved alignment of budgets to measurable outcomes.
- The enablers of the 2026 budget process including own revenue enhancement strategies, Alternative and Blended Financing, Compensation of Employees management, fiscal futures modelling, improved infrastructure preparation and financing, municipal transfers, and procurement reforms, which collectively strengthen value for money and long-term sustainability.

### Introduction

The Western Cape Government's (WCG) Fiscal Strategy sets out a coherent and forward-looking approach to navigating a constrained national fiscal environment while safeguarding priority services and enabling long-term provincial fiscal sustainability. Anchored in the 5-Year Budget Approach, the strategy integrates fiscal discipline, evidence-based decision-making, and targeted reforms to strengthen the credibility, efficiency, and impact of provincial budgeting. This chapter outlines the national fiscal context shaping provincial allocations. It also sets out the WCG's values and principles that guide fiscal choices; and summarises the reforms being advanced at both national and provincial levels to restore fiscal stability and improve the alignment between policy intent, resource allocation, and service-delivery outcomes. It further highlights the enablers that will support planning, budgeting, and implementation across the 2026 MTEF, ensuring that the Province remains responsive, resilient, and focused on achieving maximum value for money.

## **National Fiscal Environment**

The 2025 National Medium Term Budget Policy Statement (MTBPS) confirms that the government remains firmly committed to stabilising public finances amid weak economic growth, persistent structural constraints and a challenging global environment. The fiscal strategy continues to prioritise debt stabilisation, fiscal discipline, and policies that strengthen macroeconomic credibility. As a result, the gross debt-to-GDP ratio is expected to stabilise in 2025/26 and decline gradually over the medium-term, supported by better-than-expected revenue performance, reduced borrowing costs and a sustained primary surplus.

A key policy development in 2025 is the adoption of a lower 3 per cent inflation target ( $\pm 1$  percentage point), which is expected to support lower borrowing costs, a stronger currency, and improved long-term economic growth. While wage growth will gradually adjust to this lower inflation environment, certain operating costs may continue to rise faster than inflation, creating additional service delivery pressures for government.

Fiscal balances for 2025/26 are stronger than projected in the 2025 Budget. Higher-than-anticipated revenue of R19.3 billion, together with reduced borrowing costs, provides the fiscal space to absorb the proposed R15.8 billion increase in non-interest expenditure, resulting in an R8.2 billion reduction in the main budget deficit. Debt-service costs are expected to be R11.8 billion lower due to improved financing conditions, a successful bond-switch programme and a stronger local currency. These developments support a narrowing main budget deficit over the medium term.

National government's fiscal priorities for the 2026 Medium Term Expenditure Framework (MTEF) include:

1. Stabilising the debt trajectory from 2025/26 and sustaining a growing primary surplus throughout the decade to ease pressure from debt-service costs.
2. Public expenditure will increasingly be directed toward capital investment, supported by infrastructure reforms aimed at accelerating delivery and crowding in private sector participation.
3. Efforts to enhance the efficiency and impact of public spending will be strengthened through the implementation of the Targeted and Responsible Savings (TARS) initiative.

Public debt is projected to stabilise at 77.9 per cent of GDP in 2025/26. Debt-service costs for the year are expected to be R4.8 billion lower than estimated in the 2025 Budget, reflecting the impact of lower interest rates, reduced inflation, and a stronger currency. As a share of revenue, debt-service costs are anticipated to peak at 21.4 per cent in 2025/26 before gradually declining. In nominal terms, however, debt-service costs will continue to rise, from R436 billion in 2026/27 to R471.8 billion in 2028/29.

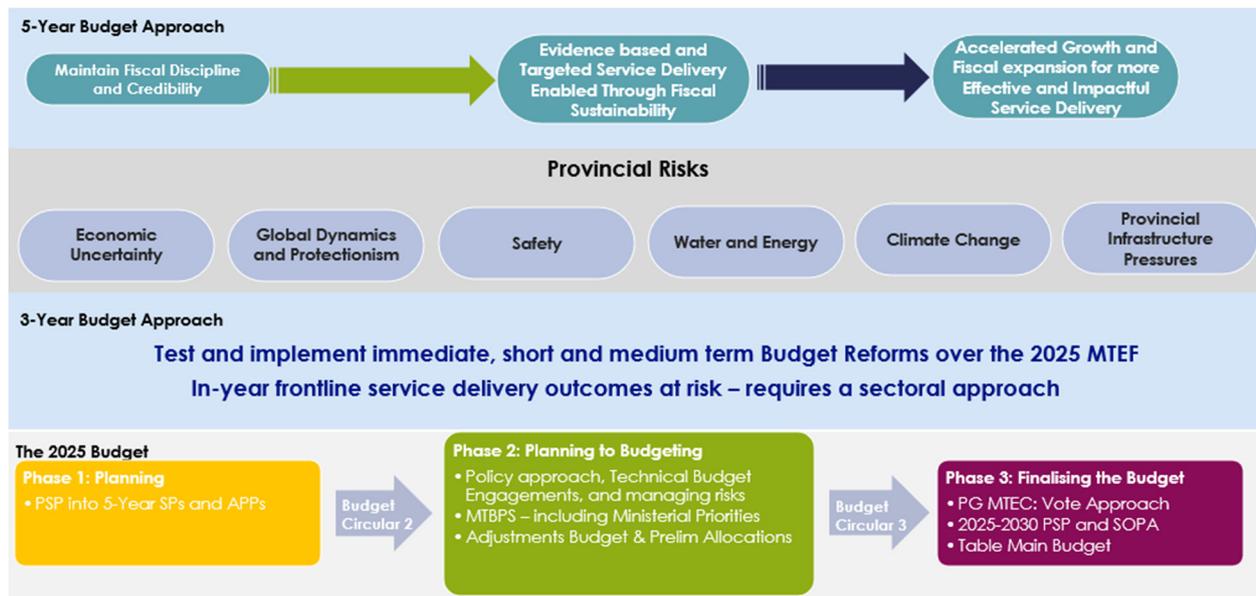
National fiscal policy continues to anchor macroeconomic stability by stabilising debt, rebuilding fiscal space and reinforcing expenditure discipline. The government's commitment to sustaining a primary surplus and narrowing the main budget deficit over the medium term supports long - term fiscal sustainability.

## Western Cape Government 5-Year Budget Approach

The WCG has adopted a five-year Budget Approach as part of the 2025 MTEF Budget Process. This approach is anchored in three strategic objectives:

- Maintaining fiscal discipline and credibility;
- Ensuring evidence-based and targeted service delivery underpinned by fiscal sustainability; and
- Accelerating economic growth and enabling fiscal expansion to deliver more effective and impactful services.

**Figure 2.1 5 to 3 - Year Budget Approach**



The five-year Budget Approach underpin the implementation of the 2025 - 2030 Provincial Strategic Plan (PSP) by aligning budget priorities with risk management and evidence-based decision-making. It strengthens the predictability and stability of the WCG's planning and budgeting framework, ensuring that fiscal resources are directed towards areas of greatest need and impact.

This approach places greater emphasis on strategic trade-offs and prioritisation, supporting the achievement of measurable outcomes while maintaining fiscal sustainability. It also enhances the Province's ability to respond to emerging risks and key policy priorities.

As part of the 2025 Budget process, the WCG introduced several targeted budget reforms aimed at improving budget management, reinforcing fiscal discipline, and promoting efficacy, efficiency, transparency, and accountability across the public sector. Together, these reforms support the Province's goal of achieving sustainable and inclusive growth through prudent and impactful fiscal management.

The WCG's principles and values provide the foundation for how it plans, budgets, and delivers services. As we continue to strengthen continuity and coherence across the budget process, these principles remain central to guiding decision-making and ensuring that our resource allocations support the implementation of the 2025 - 2030 PSP.

**Figure 2.2 2026 Fiscal Approach Principles and Values**

The values underpin how the WCG operates, and include trust, transparency, accountability, and a commitment to innovation and service excellence. Together, these elements frame our approach to unlocking allocative and productive efficiency, enabling long-run fiscal sustainability, driving value for money, and ensuring that the budget advances the outcomes and priorities of the 2025 - 2030 PSP.

### National Budget Reforms

The 2026 national budget cycle reflects a concerted effort to address persistent weaknesses in South Africa's budget process, including fragmented decision-making, poor policy–budget alignment, and limited consensus on trade-offs within a constrained fiscal environment. To restore fiscal credibility and improve the effectiveness of the budget as a policy instrument, the National Treasury has launched a comprehensive reform agenda aimed at enhancing fiscal sustainability, efficiency, and accountability.

At the centre of these reforms is the Targeted and Responsible Savings (TARS) initiative, which identifies and removes low-priority or underperforming programmes to create fiscal space for high-impact interventions. This is supported by a renewed focus on fiscal anchors and procedural transparency, ensuring that spending decisions are guided by clear fiscal rules and long-term sustainability objectives.

National Treasury is also overhauling budget structures, processes, and timelines to improve governance and accountability, with revised roles for key budget committees, digital submission tracking, and strengthened analytical capacity. Enhanced planning and budget alignment with the Medium-Term Development Plan (MTDP 2024 - 2029) will ensure that budget proposals directly support national priorities such as inclusive growth and job creation.

Infrastructure planning is being advanced through reforms to the Budget Facility for Infrastructure (BFI), which now allows for quarterly submissions and phased engagement with project sponsors to strengthen the pipeline of bankable projects. Complementary to these reforms, the rollout of Gender Responsive Budgeting (GRB) and Climate Budget Tagging (CBT) reflects an important step towards embedding inclusivity, sustainability, and resilience into public finance management systems.

Together, these reforms represent a significant shift toward a performance-driven, transparent, and sustainable fiscal framework. They reinforce the principles of evidence-based decision-making, spending discipline, and outcome-focused budgeting, principles that are similarly embedded within the Western Cape's own budget reform trajectory.

Table 2.1 below provides a summary of the key national budget reforms introduced by the National Treasury, highlighting their focus area, objectives, and implementation approaches aimed at improving fiscal sustainability.

**Table 2.1 Summary of National Budget Reforms**

Section	Key Focus Area	Core Reform Objective	Implementation Approach
<b>1. Targeted and Responsible Savings</b>	Identify and remove low-priority or underperforming programmes	Create fiscal space for priority programmes and efficiency gains	Evidence-based spending reviews and phased programme reductions
<b>2. Fiscal Credibility and Fiscal Anchors</b>	Introduce procedural and rules-based fiscal anchors	Enhance fiscal transparency, accountability, and debt sustainability	Broader stakeholder consultation; strengthened fiscal risk analysis
<b>3. Budget Structures, Processes and Timelines</b>	Strengthen budget governance and sequencing	Improve efficiency and accountability in the budget process	Revised mandates for budget structures; digital tracking; stronger analytics
<b>4. Planning and Budget Alignment</b>	Align budgets with the MTDP 2024 - 2029	Improve coherence between policy intent and resource allocation	Prioritisation of programmes supporting Strategic Priority 1: Inclusive Growth and Job Creation
<b>5. Infrastructure Reforms</b>	Restructure the Budget Facility for Infrastructure	Accelerate infrastructure project preparation and delivery	Quarterly submission windows; flexible engagement; continuous project pipeline
<b>6. Gender Responsive Budgeting and Climate Budget Tagging</b>	Integrate equity and sustainability into budgeting	Institutionalise inclusive and climate-resilient budgeting practices	Revised GRB guidelines; web-based CBT tracking; phased provincial rollout

The national reform agenda outlined above demonstrates a clear shift toward a more disciplined, transparent, and performance-oriented budgeting system. Collectively, these reforms aim to enhance fiscal sustainability, improve the alignment between policy priorities and budget allocations, and ensure that limited public resources deliver measurable impact.

Building on this national direction, the following section outlines the WCG's budget reforms and their alignment with the National Treasury's reforms.

### Western Cape Budget Reforms and Link to National Budget Reforms

The national budget reform agenda represents a pivotal shift toward a more disciplined, transparent, and performance-driven budgeting system. As summarised in Table 2.1, these reforms aim to strengthen fiscal credibility, enhance efficiency in resource allocation, and ensure that public expenditure delivers tangible and measurable outcomes. The WCG is well-positioned to align with and reinforce this national trajectory through its own reform agenda, which advances the principles of fiscal sustainability, value for money, and evidence-based decision-making.

Building on the Province's Five-Year Budget Strategy, the WCG continues to embed reforms that strengthen fiscal discipline, optimise resource allocation, and deepen the integration of planning, budgeting, and performance monitoring. These reforms are designed not only to complement national fiscal and budgetary reforms but also to localise them within the Western Cape's socio-economic and institutional context.

The WCG's reform approach mirrors several national priorities. Similar to the TARS process, the Province has institutionalised regular expenditure reviews and evaluations to identify underperforming programmes and redirect funding toward high-impact interventions. Both the national and provincial spheres emphasise rules-based fiscal management, supported by scenario planning and forward-looking modelling tools, like the Western Cape Fiscal Futures model, that improve fiscal risk management and long-term sustainability.

In terms of planning and budget alignment, the WCG's 2025 – 2030 PSP serves a function comparable to the MTDP (2024 - 2029) at the national level. This alignment ensures that resource allocation is strategically directed toward outcomes that drive inclusive growth, job creation, and improved service delivery. Likewise, the Province's BFI submissions and infrastructure planning processes are being refined to strengthen project preparation, sequencing, and alignment with national infrastructure priorities.

In line with the evolving GRB and CBT frameworks introduced by the National Treasury, the WCG will work collaboratively with national counterparts to gradually institutionalise these practices at a provincial level. This phased implementation will ensure that inclusivity, equity, and environmental resilience become embedded features of the provincial fiscal framework.

The alignment between the National Treasury's reform priorities and the WCG budget reform agenda is illustrated below in Table 2.2. This alignment highlights how the Province's Five-Year Budget Approach and associated reforms complement and operationalise national objectives at a sub-national level.

Through this approach, the WCG ensures that national fiscal principles, such as responsible savings, credible budgeting, improved planning-budget coherence, and inclusive, sustainable fiscal management, are translated into provincial strategies and processes that strengthen service delivery and value for money.

Table 2.2, therefore demonstrates the areas of convergence between the national and provincial reform programmes, emphasising how the WCG's initiatives both support and reinforce the implementation of national reforms within the Western Cape context.

**Table 2.2 Alignment between National and Western Cape Budget Reforms**

National Reform Focus	Western Cape Alignment
<b>Targeted and Responsible Savings and Spending Reviews</b>	The WCG's institutionalised expenditure and evaluation reviews identify both high-impact and underperforming programmes, mirroring the objectives of TARS to enhance efficiency and reprioritisation. In addition, with a strengthened focus on impact and value for money, the WCG is enhancing the integrated approach to performance monitoring and evaluation
<b>Fiscal Credibility and Fiscal Anchors</b>	Both spheres promote disciplined, transparent fiscal management. The WCG complements National Treasury's procedural fiscal anchors with flexible, evidence-based fiscal rules and scenario-planning tools.
<b>Planning and Budget Alignment</b>	The 2025 - 2030 PSP serves a similar role to the MTDP 2024 - 2029, ensuring that budget allocations align with provincial outcomes and cross-cutting priorities.
<b>Infrastructure Reforms</b>	The Province continues to strengthen the project pipeline and provide technical support for Budget Facility for Infrastructure (BFI) submissions, improving project readiness and bankability, giving effect to the WCIF, Strategy, Implementation Plan and pipeline.
<b>Gender-Responsive Budgeting and Climate Budget Tagging</b>	The WCG is collaborating with National Treasury to implement GRB and CBT guidelines, with dedicated capacity-building and phased integration into budget processes.

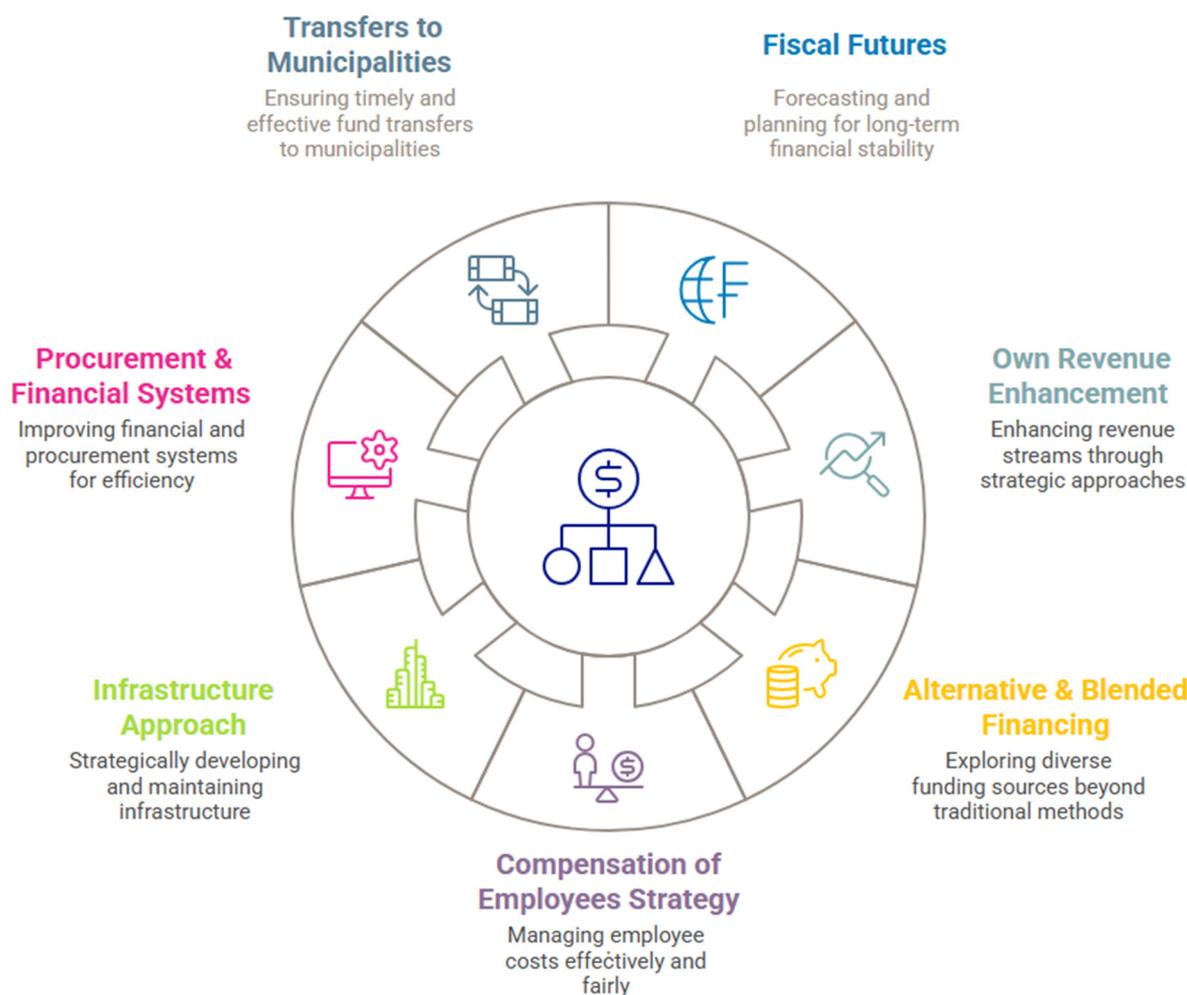
The alignment between national and provincial reforms highlights a shared commitment to fiscal sustainability, accountability, and developmental impact. Through the Western Cape's reform programme, the Province is effectively translating the National Treasury's fiscal and budget reform objectives into a sub-national context, strengthening the credibility of the provincial budget, enhancing performance tracking, and ensuring that public resources are directed toward interventions that deliver the greatest social and economic return.

Collectively, these reforms signal a progressive evolution of the Western Cape's fiscal framework, anchored in evidence, transparency, and measurable outcomes, and position the Province as a leader in implementing coherent, reform-aligned, and performance-driven public finance management.

In summary, the WCG's budgeting and financing approach is anchored in fiscal discipline, strategic resource allocation, and a commitment to long-term sustainability. By aligning provincial priorities with the national fiscal environment and applying clear values and principles to guide decision-making, the WCG positions itself to navigate economic uncertainty while protecting essential services and enabling growth. This strategic footing ensures that the Province remains responsive, evidence-driven, and focused on achieving maximum impact with every rand spent.

## Enablers of the 2026 Budget Process

The effectiveness of the fiscal strategy depends on a set of integrated enablers that strengthen planning, budgeting, execution, and oversight across the WCG. These enablers supports the broader agenda of integrated service delivery, as well as the Innovation, Culture, and Governance Portfolio's drive toward a more agile, collaborative, and high-performing government.

**Figure 2.3 Enablers of the 2026 Budget Process**

## Western Cape Own Revenue Enhancement Strategy

The WCG is advancing a forward-looking Provincial Own Revenue Enhancement Approach built on three complementary pillars. First, the Western Cape Revenue Optimisation Approach focuses on maximising the efficiency and yield of existing revenue streams. Second, a structured Provincial Revenue Research Programme is being established to assess and identify potential new and sustainable sources of provincial revenue. Third, the Province is expanding the use of alternative and blended financing instruments to leverage additional non-fiscal finance and funding for priority projects and investments. Collectively, these pillars broaden the provincial fiscal base, strengthen fiscal resilience, and position transversal revenue management as a core driver of long-term fiscal sustainability.

### 1. Western Cape Revenue Optimisation Approach

The first pillar focuses on the optimisation of current revenue sources. The approach is driven through the transversal Revenue Workgroup and focuses on strengthening the management and performance of existing revenue streams. Its purpose is to consolidate departmental action plans, quantify the gains achievable through optimisation measures, and embed these commitments within the Province's budget planning cycle. Key activities for this strategy include improving debt recovery and arrears management across departments and entities, reforming tariffs and fees, ensuring effective cash management, optimising the current investment portfolio, enhancing

operational efficiency across departments, and addressing policy or legislative constraints that limit innovative funding mechanisms. These efforts aim to not only to increase revenue yield, but also to ensure greater transparency, predictability, and sustainability in revenue planning.

Key deliverables from this approach include a consolidated Provincial Revenue Strategy, clear recommendations for integrating revenue measures into the budget processes, and strengthened long-term fiscal resilience through improved efficiency and financial governance.

The strategic impact of our combined effect of forward-looking revenue research and targeted optimisation measures represents a significant shift towards a more resilient and diversified provincial fiscal framework. This two-pronged approach broadens the fiscal base, enhances transparency in revenue planning, and embeds sound revenue management as a provincial capability. Importantly, it balances growth, competitiveness, and fairness considerations while ensuring the Western Cape remains responsive to changing economic conditions and emerging service-delivery needs.

### **Investment Summit**

The inaugural Western Cape Investment Summit demonstrated the Province's growing momentum in attracting high-impact investment by securing six major commitments valued at R50 billion, which are expected to generate approximately 45 000 job opportunities over the next two decades. By bringing together global and local investors with a R400 billion pipeline of catalytic projects, the Summit strengthened investor confidence, showcased progress in priority sectors such as green energy, agri-business, manufacturing, mechatronics and boatbuilding, and positioned the Western Cape as a leading investment destination. These commitments directly support the Province's Growth for Jobs strategy by enabling private-sector participation, promoting innovation, and advancing long-term economic growth. Further detail on the investment summit is provided in Chapter 4 of the MTBPS.

## **2. Provincial Revenue Research Programme**

The second pillar focuses on diversifying and expanding provincial revenue through systematic research, evidence-based analysis, and innovation. This multi-year programme undertakes a comprehensive scoping of all provincially raised revenues, complemented by refreshed statistical datasets and comparative benchmarking against national and international jurisdictions. The aim is to uncover new, viable, and sustainable revenue sources for the Western Cape. To ensure technical robustness, the research framework applies economic modelling, scenario analysis, and risk assessments. Each potential revenue instrument is evaluated on administrative feasibility, compliance demands, alignment with developmental priorities, and the broader economic and social conditions of the Province. Behavioural responses, legal considerations, and equity impacts are also assessed to safeguard fairness and avoid unintended consequences.

Expected outputs include:

- Ranked revenue options supported by detailed feasibility studies and fiscal impact modelling;
- Implementation roadmaps outlining phased or pilot approaches;
- Policy briefs and risk registers designed to guide policymakers through trade-offs and practical considerations.

This programme will ultimately provide the Province with a pipeline of new revenue instruments that can be incorporated into future budgets.

### 3. Alternative and Blended Financing

ABF forms a critical pillar of the WCG's fiscal strategy, to close the widening gap between traditional provincial resources and growing infrastructure and service-delivery demands. By mobilising private capital, leveraging development finance, and expanding the Province's financing options beyond the Provincial Equitable Share and conditional grants, ABF strengthens long-term fiscal sustainability while supporting evidence-based, targeted investment decisions. The detailed three-phase ABF implementation process, including project identification, prioritisation, and loan structuring, is outlined in the textbox below.

#### Alternative and Blended Financing

Amid growing economic and fiscal challenges and the urgent need for sustainable development, the WCG has identified alternative and blended financing mechanisms as promising strategies to help contribute to financing critical infrastructure and funding public services. These mechanisms integrate public and private financial resources, mobilise institutional investments, and make use of innovative funding and financing models.

The WCG's Alternative and Blended Finance Framework was launched by the Minister of Finance on 30 April 2025. The WCG aims to secure alternative and blended finance over the medium term in a prudent and sustainable manner in line with its budget principles to ensure the long-term financial sustainability of the Province.

Following the launch of the ABF Framework, the WCG adopted a three-phased approach for the implementation of the framework.

#### Phase 1 – Initiation and Exploratory Phase

This phase involved developing templates and guidelines to assist departments with the implementation of the framework. This phase also included the operationalisation of the governance structure, sourcing of external technical assistance, intelligence gathering and engagements with a wide range of stakeholders from the private sector and local and international Development Finance Institutions. These engagements aimed to establish the different offerings and procurement methodologies required to access alternative and blended finance. The different options range from organisational development assistance in the form of grants and technical assistance to loans, sustainable finance, private-public partnerships, and various types of bonds amongst others. While this was happening DoI was working in parallel on the provincial infrastructure pipeline

#### Phase 2 – Project Prioritisation and selection

This phase will involve the ABF Workgroup evaluating on-balance sheet projects that will be recommended to the Inter-ministerial Committee for recommendation to Cabinet. This phase will also involve affordability determination and preparatory work by the Provincial Treasury.

#### Phase 3 – Loan Structuring and Approval

This phase involves loan structuring and recommendation by the Technical Provincial Loans Committee who will then make a recommendation to the Provincial Loan Committee, who will prepare a funding and financing submission for Cabinet and the National Treasury Loans Coordination Committee for final approval.

The WCG aims to raise both alternative and blended financing and alternative funding, of which the key difference is that alternative finance involves a commitment to repay the finance granted, whilst alternative funding is non-repayable. Both alternative and blended finance and alternative funding can be on-balance sheet and off-balance sheet.

The Department of Infrastructure has also successfully undertaken the development of the Western Cape Infrastructure Pipeline, inclusive of national, provincial, municipal, and private sector infrastructure projects, to ensure that infrastructure in the province is rolled out in a coordinated manner to support the long-term economic objectives. The most appropriate mechanism for funding and or financing these projects, either off-balance sheet or on-balance sheet, must still be determined.

The key pipeline projects include the following:

- R300 Ring Road Project – R1.27 billion Department of Infrastructure (DoI)
- Wingfield Interchange Project – R11 billion (DoI)
- George Western ByPass Project – R1.1 billion (DoI)
- Oude Molen Precinct – R2.356 billion (DoI)
- Founders Gardens Artscape – R2.256 billion (DoI)
- Leeuloop Precinct Development – R918 million (DoI)
- Provincial Pavement Testing Laboratory – R356 million (DoI)
- Ecological Infrastructure – R3 billion Department of Environmental Affairs and Development Planning (DEA&DP)
- Karwyderskraal Waste Facility – R80 million (Overberg District Municipality)
- Phillippi Stadium – R40 million Department of Cultural Affairs and Sport (DCAS)
- Provincial Archives Project – R1.22 billion (DCAS)
- Provincial Public Sector Strategic Offset Bank – (TBA) (DEA&DP)

Departments are also partnering with the private and public sector as a means to raise alternative and blended finance. In such cases, departments are leveraging private sector funding with public sector funding. These leveraged funds do not flow through the provincial fiscus. The Department of Agriculture for example, has leveraged funding through the commodity approach to increase production and commercialization of land reform farmers. The Department of Agriculture has also partnered with various industry bodies in research to increase the production of produce with the aim of bolstering exports and jobs. The sum total of various larger ABF initiatives initiated by the Department of Agriculture in partnership with the private sector and the public sector amount to R71.8 million per annum currently.

The Department of Cultural Affairs and Sport follows a similar partnering approach of which the YearBeyond programme is its youth flagship programme. The Department has also leveraged NYDA funding through a partnership with Community Chest and Yebo Institute, which placed 4 000 youth in service, of which 3 000 are in the Western Cape and 1 000 in the rest of the country. The DCAS has a number of additional partnering arrangements with corporates, benevolent trusts, and civil society aimed at youth development.

Lastly, the Provincial Treasury is also in the process of securing additional capacity to assist with legal, deal-making, risk and compliance, and procurement specialists to advise on ABF deals.

## Fiscal Futures

The Western Cape Fiscal Futures model provides a forward-looking analytical framework that models the long-term sustainability of the provincial fiscal position under different economic and policy scenarios. It enables evidence-based planning by helping the Province anticipate future pressures, assess trade-offs, and align budget decisions with long-term fiscal resilience. Further detail on the Fiscal Futures model and its application to the 2026 MTEF is provided in Chapter 3, which outlines the Provincial Fiscal Framework.

## Compensation of Employees Strategy

Within the current economic and fiscal environment, and aligned with ongoing budget reform efforts, the WCG continues to advance an evidence-based, resource-efficient approach to managing Compensation of Employees (CoE). The Province has progressively strengthened fiscal discipline and credibility in managing the wage bill, while simultaneously embedding efficiencies into organisational structures and service-delivery models.

Staff numbers reduced substantially from 90 565 in March 2023 to 86 285 by March 2025, partly due to stricter headcount controls introduced through DPSA directives during 2023 and 2024. While these measures achieved their intended short-term fiscal stabilisation effect, the Province has always operated with compact organisational structures, and further reductions in staff are not sustainable. Departments are therefore now stabilising critical capacity to return to sustainable staffing levels that balance service delivery needs with fiscal constraints.

Although the WCG has a long-standing practice of maintaining CoE discipline through rigorous headcount management, the strategic focus is increasingly shifting towards capacity, capability, and staff wellness. The four key levers introduced in the 2024 Budget, Technology and Digitisation, Culture Change, Performance Management, and Organisational Design and Service-Delivery Models, are now being deepened and embedded across departments to drive long-term efficiency, capability strengthening, and sustainability.

Departments continue to develop and maintain bespoke CoE plans, underpinned by clear criteria and assumptions. These plans place emphasis on workforce capability, training and skills development, retirement and succession planning, and the prioritisation of essential services and functions.

To support further savings and enable workforce rejuvenation, National Cabinet has approved an incentivised Early Retirement Programme (ERP) and a Voluntary Exit Programme (VEP) for the 2025/26 and 2026/27 financial years. These programmes provide additional incentives for eligible employees aged 55 – 59 years (ERP) and 60 – 63 years (VEP) without penalising pension benefits in terms of section 16(6) of the PSA (1994, as amended). National Treasury will provide limited additional funding to qualifying departments and government components. The aim is to manage the wage bill responsibly while opening space for critical skills renewal in the provincial public service.

The multi-year wage agreement for public service employees covers the period 2025/26 to 2027/28 and will be used as the basis for determining final compensation ceilings. Over the 2026 MTEF, wage increases are set at projected headline inflation, subject to a floor of 4 per cent and a ceiling of 6 per cent, with 2025/26 carry-through costs shaping departmental compensation envelopes for the outer years.

As CoE remains the largest cost driver in provincial budgets, departments and public entities must plan carefully and remain within their allocated compensation ceilings over the 2026 MTEF. Accurate and updated human-resource costing models, reflecting current and projected headcounts and associated costs, must be maintained and monitored to support credible budgeting, manage fiscal risks, and ensure alignment with the Province's long-term service-delivery objectives.

## Approach to Infrastructure

The 2025 National MTBPS identifies "supporting growth-enhancing infrastructure" as a key pillar of economic recovery and calls for the mobilisation of greater resources toward infrastructure investment. In alignment, the Western Cape continues to strengthen its approach to infrastructure planning, delivery, and oversight. The Western Cape Infrastructure Framework (WCIF), Infrastructure Strategy (WCIS) and Infrastructure Implementation Plan (WCIIIP) have been completed, establishing a coherent framework for the province's infrastructure investment agenda. Within this ecosystem, the Provincial Treasury's Panel of Experts, the Department of Infrastructure's Single Western Cape infrastructure pipeline, and the ABF programme form the core mechanisms driving credible project preparation, technical review, and the mobilisation of innovative financing for priority projects. The provincial infrastructure pipeline, guided by the WCIIIP, has gained considerable momentum and reflects a maturing portfolio of investment-ready projects.

Ongoing monitoring and evaluation of infrastructure delivery will be undertaken in line with the Infrastructure Delivery Management System (IDMS) and the Framework for Infrastructure Delivery and Procurement Management (FIDPM) to ensure transparency, efficiency, and value for money. In addition, Provincial Treasury will continue to promote collaboration between provincial departments and with local government throughout the project preparation and planning stages to support the coordinated delivery of socio-economic infrastructure and services that meet the needs of Western Cape residents.

## Transfers to Municipalities

Over the 2026 MTEF the WCG will continue to use transfers to municipalities to strengthen municipal capabilities to deliver on local government mandates for the benefit of residents of the Province. The value of transfers will depend on the finalisation of the 2026 Budget, but is expected to be in line with the R3.5 billion projected for 2026/27 in the 2025 Budget.

Changes in the assignment of functions between the provincial and local government spheres will be reflected in the structure of the conditional transfers to municipalities. Following the enactment of the Western Cape Library Services Act (Act 1 of 2005), most municipalities have already agreed to accept the assignment of the library function, and the remaining municipalities are being engaged, with the aim of assigning the function before the end of this financial year. This means that municipal libraries will no longer be performing a provincial function on behalf of the Province, but will instead be providing their own, local government function. This will be reflected in a revised grant structure that preserves transfer funding at previous levels but allows municipalities more flexibility on how they use the funds, in combination with their own resources. The Province will still provide key services, including book purchasing, cataloguing, electronic subscriptions and staff training. In this way the Province and municipalities will continue to work together to provide a high-quality library service for the residents of the Western Cape. Once the function is assigned, payments from the Province to municipalities attract VAT at zero per cent as they will meet SARS's definition of a grant payment for a municipal function.

The Provincial Department of Health and Wellness and the City of Cape Town have begun engagements on the future management of city-operated clinics in the metro that could lead to changed functional and funding arrangements over the course of the 2026 MTEF.

The provincial government intends to further implement measures to improve the monitoring of grant spending by municipalities as part of the broader efforts to monitor value for money in public spending. As part of this effort, Provincial Treasury will engage departments about reducing the overall number of different grants transferred to municipalities, as a smaller number of grants will make it easier for financial systems to track and report on spending in municipalities. Currently WCG departments transfer 37 different grants to municipalities (compared to 21 grants to municipalities transferred by national departments). A more streamlined portfolio of provincial grants will allow for more accurate reporting on the Municipal Standard Chart of Accounts (mSCoA), which in turn will allow the Province to compare financial and non-financial performance and reporting from municipalities to ensure consistency and value for money.

### **Procurement and Financial Systems**

Procurement planning remains central to aligning departmental procurement activities with service delivery objectives and the fiscal parameters set out in the Western Cape MTBPS. As service delivery becomes increasingly procurement-driven, this function has evolved beyond compliance and rules-based approach into a core enabler of value creation, operational efficiency, and strategic excellence. Within a constrained fiscal environment, credible and forward-looking procurement planning is essential to safeguard service continuity, prioritise spending, and ensure that every rand delivers maximum public value.

#### **Strengthening Planning through Data-Driven Tools**

The Western Cape Government continues to strengthen planning and improve fiscal credibility using data-driven tools. To modernise the procurement environment and enhance planning accuracy, Provincial Treasury introduced the automated Procurement Planning Toolkit in 2021, which is now implemented across all thirteen provincial departments. The toolkit enables the compilation of a consolidated Provincial Procurement Plan, supports continuous monitoring of procurement progress, and enhances decision-making through improved visibility of procurement timelines, early identification of planning gaps, and strengthened cost-efficiency. By integrating procurement insights into broader budgeting and planning processes, the toolkit ensures that spending decisions are evidence-led, credible, and aligned with the priorities of the MTBPS. Its effectiveness, however, relies fundamentally on the accuracy, credibility, and integrity of departmental data, an essential requirement for achieving value-for-money outcomes and pro-actively managing provincial fiscal risks.

#### **Value for Money as a Budgeting Imperative**

The MTBPS continues to position value for money as a central budgeting imperative, particularly within the current constrained fiscal environment. Provincial Treasury advances this principle by leveraging data analytics to improve transparency on how resources are utilised across the Province, thereby promoting an optimal balance between economy, efficiency, and effectiveness. Tools such as the Procurement Planning Toolkit and SCM Performance Insight reports provide a strong evidence base for assessing value for money across procurement spending and performance outcomes. Looking ahead, a commodity-based procurement approach will be prioritised to enhance value, impact, and market competitiveness, supported by supplier-readiness platforms such as the Western Cape Supplier Evidence Bank (WCSEB) and the eProcurement System (ePS). This integrated model strengthens competition, improves transparency, and ensures that procurement activities directly reinforce the MTBPS commitments to fiscal discipline, improved service delivery, and long-term financial sustainability.

## **Technology, Information Communication and Technology Integration and Sustainable Procurement**

The WCG continues to modernise its financial and administrative systems through a set of strategic ICT levers that strengthen governance, improve efficiency, and support evidence-driven decision-making. These modernisation efforts are anchored in three core areas: digitalisation, data intelligence, and automation. Through the Enterprise Landscape Strategy (ELS), legacy systems are being upgraded in alignment with fiscal constraints and operational continuity requirements, ensuring that the Province's digital architecture remains stable, future-fit, and fiscally responsible.

In parallel, enterprise-wide consolidation of financial and supply chain data is improving reporting accuracy, compliance, and strategic insight across departments. This data intelligence capability enhances transparency and strengthens the Province's ability to undertake predictive analytics, monitor performance trends, and support evidence-based planning. Automation initiatives, most notably through the eProcurement System (ePS), are further modernising core processes by improving turnaround times, strengthening auditability, enhancing transparency, and driving value-for-money outcomes across the procurement value chain.

To position the WCG for a fully integrated and modern public administration environment, Provincial Treasury is implementing a comprehensive financial systems strategy that lays the groundwork for future adoption of the Integrated Financial Management System (IFMS). This strategy is structured around three interconnected pillars within the Supporting and Interlinked Financial Systems (SIFS) roadmap. Application Transformation Readiness provides an enterprise - wide view of the digital landscape to inform upgrade, replacement, and retirement decisions, optimising spend and reducing duplication. The Evergreening of Legacy Systems progressively modernises core financial, supply chain, and people-management processes by replacing fragmented systems with unified, future-fit digital solutions. Finally, the Provincial Treasury Data Warehouse consolidates key datasets to support predictive analytics, strengthen governance, and enable agile, evidence-driven budgeting and procurement planning.

Together, these digital investments enhance fiscal oversight, streamline operations, improve transparency, and advance the Province's "Ease of Doing Government" agenda by reducing manual processes and enabling integrated, end-to-end digital workflows.

### **Sustainable Procurement and Developmental Impact**

As part of the WCG's commitment to inclusive economic growth, ongoing improvements to the eProcurement System (ePS) and the Procurement Planning Toolkit are enabling more pro-active, efficient, and transparent procurement management. Embedding Sustainable Public Procurement principles across the procurement process strengthens alignment to budget parameters and enhances the Province's overall fiscal sustainability. These principles further promote stronger local economic participation, expand opportunities for vulnerable and priority-group-owned businesses, and encourage responsible supply chain decisions that consider environmental, social, and governance impacts.

This approach positions procurement as a key instrument for economic resilience, social empowerment, and developmental impact, fully aligned with the priorities of the 2025 - 2030 PSP 2030 and the Western Cape MTBPS.

## Procurement Planning as a Catalyst for Long-Term Value

Procurement planning is the foundation of strategic procurement in the Western Cape. It equips departments with the foresight, structure, and intelligence required to make well-informed decisions, optimise resources, and strengthen service delivery within tightening fiscal constraints. When supported by credible data, modern digital tools, and alignment to provincial strategic priorities, procurement planning evolves into a strategic lever that enables the Province to navigate fiscal pressures, strengthen governance and accountability, drive sustainable development, and achieve high-impact outcomes for the people of the Western Cape.

This integrated, data-driven approach ensures that procurement continues to support the Province's commitment to credible budgeting, value for money, and citizen-centred service delivery over the medium term.

Together, these enablers provide the foundation for a more efficient, evidence-driven and value-for-money budget system that supports long-term provincial sustainability.

## Public Participation in the Budget Process

The Ministry of Finance, together with the Provincial Treasury, has strengthened public participation in the provincial budget process by expanding opportunities for residents, municipalities, and partners to engage directly on fiscal priorities. Through district-level engagements with Mayors and Finance MMCs, the *#BudgetWithDeidre* public participation campaign, civic-education platforms such as *Digits with Deidré*, and in-person dialogues via First Thursday, the Ministry has broadened access to budget information and encouraged meaningful public input into spending decisions. These initiatives support transparent, collaborative, and community-informed budgeting, while laying the groundwork for future efforts to "Take the Budget to the People" through town-hall style engagements across the Province.

## Conclusion

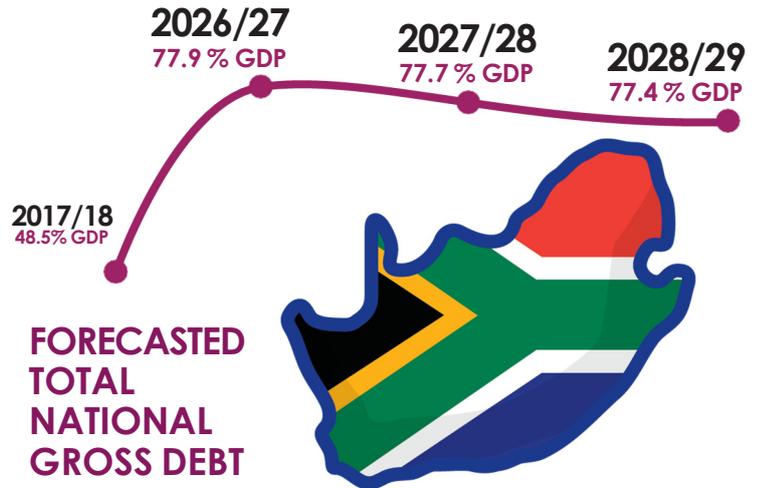
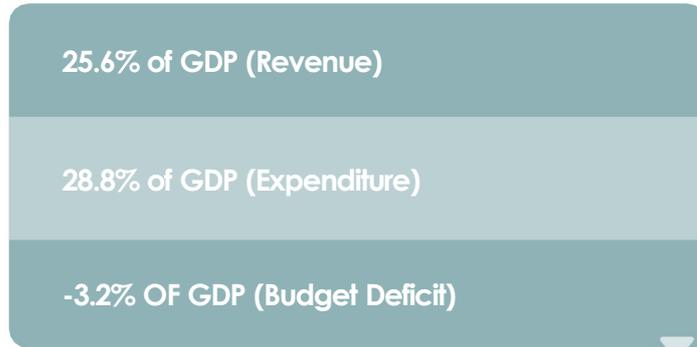
The WCG's Fiscal Strategy reflects a deliberate, disciplined and forward-looking approach to managing the Province's finances in a challenging national and global environment. By strengthening fiscal credibility, aligning resource allocation with strategic priorities, and embedding key reforms across planning, budgeting, and implementation, the WCG is positioning itself to deliver higher-impact services within a constrained fiscal envelope. The Strategy balances immediate pressures with long-term sustainability considerations, ensuring that every rand spent supports the achievement of the 2025 - 2030 PSP and improves outcomes for the residents of the Western Cape. As the Province deepens its reform trajectory and operationalises the enablers of the Budget Process, it continues to build a more resilient, efficient, and evidence-driven fiscal framework capable of supporting inclusive growth and responsive service delivery over the medium-term.



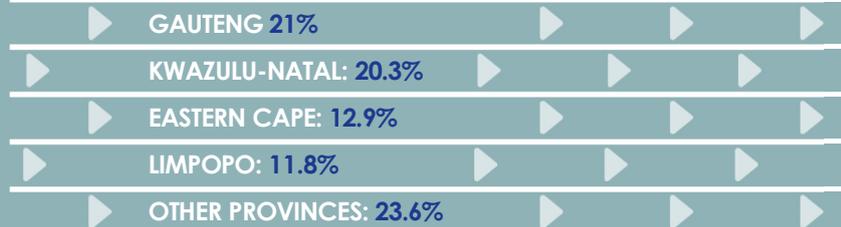


# WESTERN CAPE FISCAL FRAMEWORK

## NATIONAL FISCUS: 2026 MTEF



### TRANSFERS FROM NATIONAL TREASURY TO PROVINCES



WESTERN CAPE: 10.4%

## PROVINCIAL 2026 MTEF FISCAL FRAMEWORK

### ADDITIONS TO CONDITIONAL GRANTS FOR 2025/26 NON-RECURRING

- R 232.1 million** Early Childhood Development Grant
- R 91 million** HIV/AIDS Assistance
- R 80 million** Transport Infrastructure
- R 53 million** Health Facility Revitalisation Grant
- R 6.5 million** National Tertiary Health Services Grant

76.7% PROVINCIAL EQUITABLE SHARE

17.3% NATIONAL CONDITIONAL GRANTS

2026/27 R90.8 billion

2027/28 R93.2 billion

2028/29 R95.5 billion

## PROVISIONAL WCG 2026 MTEF FUNDING ENVELOPE

94% of funding envelope

6% of funding envelope

### OWN REVENUE

- OWN RECEIPTS: 0.8%
- PROVINCIAL REVENUE FUND (TAX RECEIPTS) AND FINANCE: 2.4%
- MOTOR VEHICLE LICENCES: 2.8%

INNOVATION, CULTURE AND GOVERNANCE

EDUCATED, HEALTHY, AND CARING SOCIETY

SAFETY

GROWTH FOR JOBS

# 3

## Western Cape Fiscal Framework

### In summary

- National debt is projected to stabilise at 77.9 per cent of GDP in 2025/26, marking a turning point since the 2008 crisis.
- Medium term allocations are divided as follows: 47.9 per cent to national departments, 42.4 per cent to provinces, and 9.7 per cent to local government.
- The Western Cape's preliminary funding envelope rises from R90.8 billion in 2026/27 to R95.5 billion in 2028/29, with real budget growth close to zero per cent.
- The Provincial Equitable Share (PES) remains the dominant revenue source for the Western Cape Government over the 2026 MTEF at 76.7 per cent, followed by conditional grants at 17.3 per cent, and provincial own revenue at 6 per cent according to preliminary allocations.
- Population growth, urbanisation, and ageing demographics intensify pressures on health, social development, and education services, outpacing growth in real equitable share per capita.
- Own revenue initiatives such as motor vehicle licence fees, gambling taxes, hospital fees, and liquor licensing reforms provide incremental growth and strengthen fiscal autonomy.
- Key risks include macro-fiscal shocks, increasingly severe weather events, wage and inflation pressures, and grant volatility, mitigated through reserves, cash management, and alternative and blended finance.
- Overall, the fiscal framework seeks to stretch a constrained funding envelope by improving value-for-money, strengthening reserves, and leveraging alternative and blended finance where prudent. This is designed to channel limited fiscal space into the 2025 - 2030 PSP portfolios – Growth for Jobs, Safety, Educated, Healthy and Caring Society, and Innovation, Culture and Governance – to unlock measurable impact and long-term gains for Western Cape residents.

### Introduction

This chapter translates the Western Cape Government's fiscal strategy and approach into a concrete medium term fiscal framework for the 2026 Medium Term Expenditure Framework (MTEF). It sets out how limited national and provincial resources are allocated to sustain core services, protect frontline delivery and support the Province's long-term economic and social objectives, including the 2025 - 2030 Provincial Strategic Plan (PSP) and its apex priority **of helping businesses grow and create jobs and equipping you, the residents of the Western Cape, to get those jobs.**

The chapter first outlines the macro-fiscal context and revenue outlook, focusing on the PES, conditional grants and provincial own revenue. It then presents the summarised national revenue and expenditure framework, the division of the provincial envelope across sectors, and the impact of cost pressures and the role of expenditure ceilings and reprioritisation. Finally, it explains the use of Provincial reserves and the Asset Financing Reserve (AFR) as key fiscal risk mitigation instruments.

Together, these components show how the Province is giving practical effect to its fiscal strategy by prioritising the funding of service delivery and ensuring value for money whilst using innovation to build resilience and create fiscal space, to invest in catalytic priorities that contribute to achieving the 2025 - 2030 PSP.

## **The Fiscal Framework – Building a Sustainable System**

This section situates the Western Cape's fiscal framework within the broader context of national consolidation, highlighting how debt dynamics, the main budget balance and the division of revenue constrain the aggregate provincial envelope. The subsequent section then turns to South Africa's National System of Revenue Sharing, unpacking how these national aggregates are translated, via the PES formula into the Western Cape's fiscal framework.

South Africa's constrained macro-fiscal outlook continues to define the fiscal space available to provinces. The 2025 National Medium Term Budget Policy Statement (MTBPS) projects general government debt stabilising in the 2025/26 financial year at 77.9 per cent of GDP, debt-service costs are, however, still a large expenditure component, which crowds out non-interest spending. Consequently, growth in the provincial equitable share pool will only grow by slightly more than the forecasted inflation over the same period.

Over the medium term, 47.9 per cent of non-interest expenditure is allocated to national departments, while provinces collectively receive 42.4 per cent, and local government accounts for 9.7 per cent. The shifts in the division of revenue between national, provincial, and local government departments and entities reflect ongoing conditional grant reforms, the introduction of performance incentives, and targeted support measures to strengthen governance, infrastructure maintenance, and long-term fiscal sustainability.

Within this context, the Western Cape's fiscal framework is shaped by a consolidation environment which is most recently defined by the Targeted and Responsible Savings (TARS) initiative of national treasury as well as systematic spending reviews. These two initiatives require fiscal savings to be made in the case of TARS and identify where spending can be reduced or more value for money can be achieved in the case of the spending reviews. Combined they contribute to the consolidation of the fiscus.

**Table 3.1 National Division of Revenue Framework**

R billion	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Outcome			Revised	Medium-term estimates		
<b>Division of available funds</b>							
<b>National departments</b>	<b>855.9</b>	<b>826.9</b>	<b>860.5</b>	<b>923.4</b>	<b>903.2</b>	<b>932.6</b>	<b>973.5</b>
of which:							
Provincial indirect grants	3.5	4.1	3.7	4.6	3.0	2.6	2.7
Local indirect grants	7.2	8.2	7.1	7.9	7.8	8.1	8.4
<b>Provinces</b>	<b>694.1</b>	<b>706.3</b>	<b>730.6</b>	<b>787.0</b>	<b>798.3</b>	<b>830.2</b>	<b>856.0</b>
Equitable share	570.9	585.1	600.5	647.6	659.5	688.1	709.5
Conditional grants	123.3	121.2	130.2	139.4	138.7	142.1	146.5
<b>Local government</b>	<b>150.7</b>	<b>157.7</b>	<b>167.7</b>	<b>180.6</b>	<b>183.4</b>	<b>188.5</b>	<b>194.1</b>
Equitable share	83.9	92.3	99.5	106.1	110.1	114.5	118.0
General fuel levy sharing with metropolitan municipalities	15.3	15.4	16.1	16.8	17.5	18.2	18.8
Conditional grants	51.4	50.0	52.1	57.7	55.7	55.8	57.3
Provisional allocations not appropriated <sup>1</sup>	–	–	–	1.8	60.1	61.4	71.8
Projected underspending	–	–	–	-6.1	–	–	–
<b>Non-interest allocations</b>	<b>1 700.7</b>	<b>1 690.8</b>	<b>1 758.8</b>	<b>1 886.7</b>	<b>1 944.9</b>	<b>2 012.8</b>	<b>2 095.3</b>
Debt-service costs	308.5	356.1	385.8	421.5	436.0	455.9	471.8
Contingency reserve	–	–	–	13.5	5.0	11.1	17.0
<b>Main budget expenditure</b>	<b>2 009.2</b>	<b>2 046.9</b>	<b>2 144.6</b>	<b>2 321.7</b>	<b>2 385.9</b>	<b>2 479.9</b>	<b>2 584.2</b>
Percentage shares							
National departments	50.3%	48.9%	48.9%	48.8%	47.9%	47.8%	48.1%
Provinces	40.8%	41.8%	41.5%	41.6%	42.4%	42.5%	42.3%
Local government	8.9%	9.3%	9.5%	9.6%	9.7%	9.7%	9.6%

Source: National Treasury

Provincial funding is projected to grow at an average annual growth rate of 3.6 per cent from 2026/27 to 2028/29, which is higher than the projected inflation of 3.2 per cent in 2028 as reported in the 2025 National MTBPS. This equals a real increase in the allocation to provinces of 0.4 percentage points.

**Table 3.2 National Summary of Revenue and Expenditure**

R billion/percentage of GDP	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Outcome			Revised	Medium-term estimates		
<b>Main budget revenue</b>	<b>1 699.2</b>	<b>1 723.8</b>	<b>1 809.8</b>	<b>1 968.7</b>	<b>2 091.0</b>	<b>2 207.9</b>	<b>2 336.3</b>
	25.1%	24.2%	24.5%	25.3%	25.6%	25.6%	25.7%
<b>Main budget expenditure</b>	<b>2 009.2</b>	<b>2 046.9</b>	<b>2 144.6</b>	<b>2 321.7</b>	<b>2 385.9</b>	<b>2 479.9</b>	<b>2 584.2</b>
	29.7%	28.8%	29.0%	29.8%	29.2%	28.8%	28.5%
Non-interest expenditure <sup>1</sup>	1 700.7	1 690.8	1 758.8	1 900.2	1 949.9	2 023.9	2 112.3
	25.1%	23.8%	23.8%	24.4%	23.9%	23.5%	23.3%
Debt-service costs	308.5	356.1	385.8	421.5	436.0	455.9	471.8
	4.6%	5.0%	5.2%	5.4%	5.3%	5.3%	5.2%
<b>Main budget balance</b>	<b>-309.9</b>	<b>-323.1</b>	<b>-334.9</b>	<b>-353.1</b>	<b>-294.8</b>	<b>-272.0</b>	<b>-247.8</b>
	-4.6%	-4.5%	-4.5%	-4.5%	-3.6%	-3.2%	-2.7%
<b>Primary balance</b>	<b>-1.5</b>	<b>33.0</b>	<b>51.0</b>	<b>68.5</b>	<b>141.2</b>	<b>183.9</b>	<b>224.0</b>
	0.0%	0.5%	0.7%	0.9%	1.7%	2.1%	2.5%

<sup>1</sup> Includes contingency reserve

Main budget revenue is expected to increase from 24.5 per cent of GDP in 2024/25 to 25.3 per cent in 2025/26, increasing to 25.7 per cent of GDP in 2028/29.

The main budget primary surplus is projected to increase as a proportion of GDP over the 2026 MTEF period, supporting debt stabilisation in 2025/26. Concurrently, the overall budget deficit is expected to narrow, declining from 4.5 per cent of GDP in 2025/26 to 2.7 per cent in 2028/29.

## The National System of Revenue Sharing

South Africa's National System of Revenue Sharing lies at the heart of its intergovernmental fiscal framework, ensuring that nationally raised revenue is equitably distributed among the three spheres of government. This system operationalises the constitutional principle of equitable access to public resources, enabling provinces and municipalities to deliver essential services in line with their functional mandates. Within this system, the PES serves as the principal mechanism for funding provincial responsibilities. The PES formula allocates funds based on the relative demand for services across provinces, drawing on six weighted components - education, health, basic<sup>1</sup>, poverty, economic activity, and institutional - to promote fairness, efficiency, and developmental balance in resource distribution.

**Table 3.3 Provincial Equitable Share between Provinces**

R million	2025/26	2026/27	2027/28	2028/29
	Estimate	Medium term estimates		
Eastern Cape	83 713	85 245	88 459	90 797
Free State	35 619	36 171	37 669	38 765
Gauteng	138 726	138 761	144 861	149 438
KwaZulu-Natal	130 148	134 125	139 993	144 387
Limpopo	75 128	77 703	81 128	83 701
Mpumalanga	53 253	55 148	57 710	59 676
Northern Cape	17 351	17 961	18 812	19 470
North West	47 262	45 964	47 798	49 116
Western Cape	66 381	68 447	71 653	74 119
<b>Total</b>	<b>647 581</b>	<b>659 524</b>	<b>688 083</b>	<b>709 468</b>

Table 3.3 outlines South Africa's PES allocations for the 2025/26 to 2028/29 MTEF period to each province. The PES is the largest component of intergovernmental fiscal transfers, intended to enable provinces to deliver constitutionally mandated services (particularly in education, health, and social development). The data reveals a steady nominal increase in provincial allocations, reflecting the national government's effort to balance fiscal discipline with the need to sustain essential public services.

**Aggregate Nominal Growth Trend:** The total PES allocation is set to increase from R647.6 billion in 2025/26 to R709.5 billion by 2028/29, representing a nominal growth of 9.6 per cent over the four years. Although there is an upward nominal growth trend, when adjusted for inflation, the

<sup>1</sup> The basic component is derived from the proportion of each province's share of the total population in the country.

growth in real terms over the 2026 MTEF is likely to be modest, indicating that fiscal space remains limited.

**Western Cape: Fiscal Growth Amid Service Delivery Challenges:** The Western Cape's fiscal allocation is set to increase from R66.4 billion in 2025/26 to R74.1 billion in 2028/29, reflecting an 11.6 per cent nominal growth. This adjustment is indicative not only of demographic growth and internal migration to the province but also of the escalating socio-economic pressures that accompany rapid urbanisation, particularly within the Cape Town metropolitan area. Despite this positive nominal funding trend, the Western Cape continues to encounter significant challenges in health and education service delivery:

- The health sector is under considerable strain from increasing patient loads, alongside persistent disparities in access between metropolitan and rural areas.
- In the education sector, rising learner enrolments, infrastructure deficits, and resource inequities are ongoing issues, particularly in underserved regions where population growth outpaces the development of school capacity.

Consequently, while the slight real increase in the equitable share may seem like marginal fiscal relief, it will likely not fully compensate for the rising real costs associated with delivering essential services in a province marked by both rapid population growth and socio-economic challenges. The ongoing tension between fiscal adequacy and the demands of service delivery remains a critical policy challenge.

The Western Cape's growth, while encouraging, must be viewed in the context of persistent service delivery pressures in health and education and considerable infrastructure maintenance backlogs. The province's fiscal outlook illustrates the broader national challenge of ensuring value for money, i.e. that rising budget allocations translate into tangible improvements in service quality and equity for the residents of the Western Cape.

Therefore, and as outlined in Chapter 2, the Province's fiscal strategy focuses its attention on enhancing efficiency in resource utilisation, lifecycle asset management, targeting infrastructure backlogs, improving fiscal responsiveness to the WC's population and its ageing population, and service delivery dynamics to ensure that the marginal real gains reflected in the equitable share allocations result in measurable improvements in the lives of Western Cape residents.

### Changes to the Provincial Equitable Share between the 2025 Budget and 2025 MTBPS

Given the continued fiscal consolidation at the national level and the limited revenue-raising capacity of provinces, the PES remains the principal mechanism through which provincial governments are funded to deliver constitutionally mandated services. The 2025 National MTBPS reflects an upward revision of aggregate provincial transfers in nominal terms, yet the distribution across provinces-measured by percentage share of the total has remained largely stable. This highlights the challenge of balancing fiscal discipline with the need to respond to differentiated demographic and developmental pressures across the nine provinces.

As of the 2024 and 2025 Budget, the Western Cape's PES stood at 10.3 per cent and it is anticipated to remain constant at 10.3 per cent over the 2026 MTEF. While the nominal value of the allocation increases from R66.4 billion in 2025/26 to R74.119 billion in 2028/29, this represents a Compound Annual Growth Rate (CAGR) of only 3.7 per cent, slightly higher than projected inflation. Consequently, the real-term growth of the Western Cape's equitable share is marginal-estimated at around 0.5 to 0.8 per cent per year, which offers little scope for service expansion or real improvements in quality.

This static proportional share is fiscally and socially concerning, given the Western Cape's ongoing population growth and demographic shifts with the province characterised by an ageing population profile, driving demand for health-care services, chronic disease management, and social support infrastructure. Simultaneously, continued in-migration from other provinces has placed mounting pressure on the education system, social development services, human settlements, and municipal infrastructure.

Despite these pressures, the Western Cape's proportional share of the PES has not increased, implying that the equitable share formula may not be fully capturing the Province's evolving demographic realities. In the longer term, such a constrained funding trajectory may negatively affect fiscal sustainability and weaken the province's ability to maintain service quality, particularly in the health, social development, and education sectors.

**Table 3.4 Revisions to the PES, 2026 MTEF**

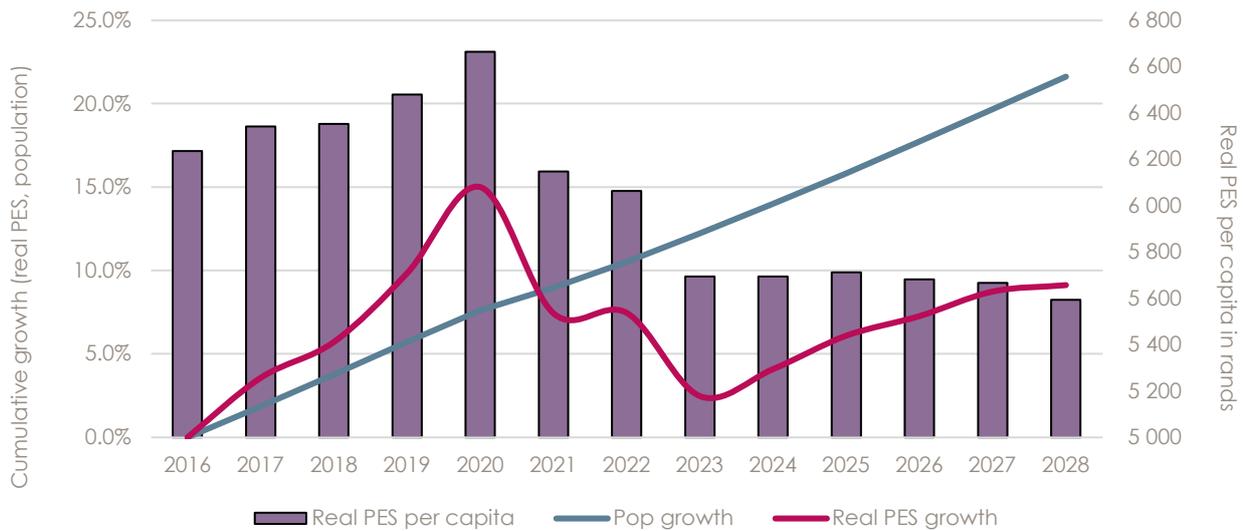
Rand thousand	2026 Medium-term expenditure framework			Total Revisions
	2026/27	2027/28	2028/29	
Provincial equitable share (PES) (as per final 2025 MTEF allocation letter)	68 344 039	71 507 449	73 729 843	213 581 331
Adjustments to baseline due to impact of new data updates in the PES formula (phased-in from 2026/27 of 2025 MTEF)	211 477	370 229	622 041	1 203 747
<b>Total: Technically adjusted provincial equitable shares before Adjustments to Baselines</b>	<b>68 555 516</b>	<b>71 877 678</b>	<b>74 351 884</b>	<b>214 785 078</b>
<b>Adjustments to Baselines</b>	<b>(108 508)</b>	<b>(225 139)</b>	<b>(232 851)</b>	<b>(566 498)</b>
Inflation Adjustment	(108 508)	(225 139)	(232 851)	(566 498)
2026 MTEF PES Percentages (new data updates (phased-in))	10.39%	10.42%	10.45%	
<b>Total: Preliminary Provincial Equitable Share for 2026 MTEF</b>	<b>68 447 008</b>	<b>71 652 539</b>	<b>74 119 033</b>	<b>214 218 580</b>
<b>Variance: 2025 MTEF vs 2026 MTEF</b>	<b>102 969</b>	<b>145 090</b>	<b>389 190</b>	<b>637 249</b>

### Changes to the Provincial Equitable Share

For the 2026 MTEF, planned spending levels across all three spheres of government have been revised to reflect lower inflation projections. Accordingly, the total PES baseline has been adjusted downward by R1.0 billion in 2026/27, R2.2 billion in 2027/28, and R2.2 billion in 2028/29<sup>2</sup>, relative to the indicative allocations published in the 2025 Division of Revenue Act.

The updated data inputs and technical adjustments made to the PES formula increase allocations slightly, indicating responsiveness to new demographic or economic information. However, negative baseline adjustments suggest some fiscal consolidations or re-allocations, possibly reducing flexibility in provincial budgets. The positive variance between MTEFs shows incremental funding increases but raises questions about whether these increases will fully meet growing population and service delivery demands (as indicated in Figure 3.1 below).

<sup>2</sup> This is not how much the WC's PES has been adjusted downwards by over the 2026 MTEF. Rather it is the total downward adjustment of the PES that goes to all provinces.

**Figure 3.1 Cumulative growth of Real PES and population vs Real PES per capita for the Western Cape, (2016 – 2027)**

Source: MYPE (2016 - 2025) and Preliminary PES allocations from National 2025 MTBPS

Figure 3.1 illustrates significant trends in real PES per capita, cumulative population growth, and cumulative real PES growth spanning from 2016 to 2028. This analysis reveals a distinctive trajectory: real PES per capita, depicted by the bars, demonstrates a steady ascent until 2020, followed by a pronounced decline through 2023, ultimately stabilising at a diminishing level through 2028. The teal line representing the cumulative population growth exhibits a consistent upward trajectory throughout the period, indicating sustained demographic pressure on social resources. In contrast, the red line illustrating cumulative Real PES growth ascends rapidly to a peak in 2020, which is likely reflective of the fiscal response necessitated by the COVID-19 pandemic before encountering a substantial contraction through 2023, with only a partial recovery thereafter. The most salient observation arises from the widening gap between the steadily increasing cumulative population growth and the flattening, then declining real PES per capita after 2020.

With the Western Cape province's rising population growth rates, this divergence underscores the growing pressures on social service delivery systems. As the population rises, the resources available per resident fails to keep pace – culminating in a concerning erosion of per-capita fiscal capacity. This is the case even before factoring in the growing incidence of severe weather events, wildfires, and other shocks. The Provincial Disaster Management Centre's record of declared disasters over this period points to a rising trend that will further amplify demand for social protection, infrastructure repair and emergency response within an already constrained fiscal envelope. This leads to the province facing a risk of service-demand overload, which would jeopardise the quality of services, and points towards a challenging future ahead if the national fiscus does not start to grow soon.

In essence, Figure 3.1 illustrates that the Western Cape's population growth outpaces its provincial equitable share growth and is not entirely reflective of the redistributive objectives of the PES formula and is likely a result of the National Treasury's implementation of fiscal consolidation measures. Furthermore, the economic activity component of the PES formula's current weighting does not adequately incentivise economic growth within provinces. Without adaptive, data-driven revisions to the equitable share mechanism, rising populations in fast-growing provinces like the Western Cape will likely continue to outpace funding.

## Annual technical data updates impact on the PES

The PES formula undergoes annual updates to ensure that resource allocations align with the changing demands for services across provinces. This alignment is based on provincial population numbers and official institutional data, which are verified by national departments.

With the PES including additions made outside the formula, it would be advisable that these allocations be reviewed in terms of their rationale, impact, and sustainability, with an emphasis on maintaining equity and predictability in provincial distributions.

### ● Revisions to the equitable share formula

For the 2026 MTEF, there are no proposed changes that are being made to any of the components of the formula resulting from the review of the PES formula.

### ● Data availability

For the 2026 MTEF, the following PES data updates can be noted as depicted in the table below:

**Table 3.5 Summary of PES data updates**

Component	Data used
<b>Education</b> (48%)	2025 Mid-Year Population Estimates (new data)
	2025 Learner data
<b>Health</b> (27%)	2025 MYPE (new data) Insured population: - 2024 General Household Survey - 2023/24 Council for Medical Schemes data Total fertility rate (new data) Premature Mortality (new data)
	Patient load data (DHIS 2023/24 - 2024/25) (new data)
<b>Basic</b> (16%)	2025 Mid-Year Population Estimates (new data)
<b>Poverty</b> (3%)	2025 Mid-Year Population Estimates (new data) Income and Expenditure Survey (IES) 2022/23 (new data)
<b>Economic activity</b> (1%)	GDP-R 2024 (new data)
<b>Institutional</b> (5%)	Not applicable: distributed equally amongst provinces

● The rest of the components to the formula have been updated with the 2025 Mid-Year Population Estimates (MYPE) data and the economic activity component has been updated with the 2024 regional GDP data.

### ● Technical updates to the PES formula:

- **Poverty:** Previously, the poverty component utilised data from the 2010/11 Income and Expenditure Survey to inform the measure used to account for the proportion of poor people in each province. For the 2026 MTEF, Statistics South Africa has shared data with the National Treasury from the 2022/23 Income and Expenditure Survey on household expenditure distributed into different per capita quintiles. This data has been used to inform the poverty component for the 2026 MTEF.

- **Education:** The education component has been updated using the school-age population (5 to 17 years) from the 2025 MYPE from Statistics South Africa, and the school enrolment data drawn from the Learner Unit Record Information and Tracking System (LURITS) data from the Department of Basic Education.
- **Health:** The health component has also been updated with the 2023/24 and 2024/25 District Health Information Services patient load data from the Department of Health. The risk-adjusted subcomponent reflects changes in the health risk profile for medically uninsured individuals, incorporating fertility and mortality indicators.

## ■ The Western Cape Funding Envelope and Fiscal Balancing

Having outlined how nationally raised revenue is shared and how the PES and its formula determine the Western Cape's share of provincial resources, this section turns to what that means in practice for the Province's own funding envelope. It sets out the size and composition of the Western Cape's revenue basket, and explains how the Province balances equitable share, conditional grants, its own-revenue, and reserves within the confines of a fiscal consolidation environment.

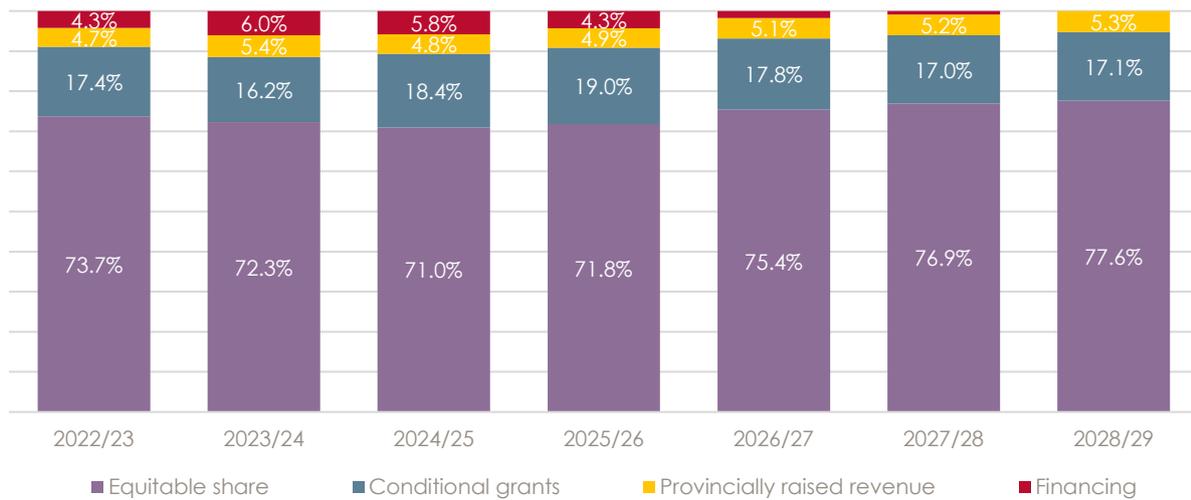
The Western Cape's total funding envelope for the 2025/26 adjusted estimate is projected to be R92.469 billion. The provincial funding envelope increases to R95.473 billion by 2028/29, reflecting average nominal growth of 2.5 per cent over the 2026 MTEF and expected real growth close to zero. The total revenue envelope for the 2026 MTEF is derived primarily from three sources: the provincial equitable share (76.7 per cent of the total envelope), conditional grants (17.3 per cent of the total envelope), and provincially generated revenue (5.2 per cent of the total envelope). This is further supplemented by financing arrangements and drawdowns from provincial reserves.

**Table 3.6 Western Cape Provincial Funding Envelope**

R'000	Adjusted Estimate	Medium term estimate			Total	Average Annual Growth Rate
	2025/26	2026/27	2027/28	2028/29	2026 MTEF	(2026 MTEF)
<b>Transfers from National</b>	<b>83 973 444</b>	<b>84 575 733</b>	<b>87 498 436</b>	<b>90 456 153</b>	<b>262 530 322</b>	<b>3.4%</b>
Equitable share	66 381 036	68 447 008	71 652 539	74 119 033	214 218 580	4.1%
Conditional grants	16 764 217	16 128 725	15 845 897	16 337 120	48 311 742	0.6%
Conditional grants rollover	828 191	-	-	-	-	
<b>Own receipts</b>	<b>716 641</b>	<b>712 965</b>	<b>744 747</b>	<b>767 834</b>	<b>2 225 546</b>	<b>3.8%</b>
<b>Motor Vehicle Licences (Tax receipts)</b>	<b>2 386 273</b>	<b>2 493 655</b>	<b>2 605 870</b>	<b>2 686 652</b>	<b>7 786 177</b>	<b>3.8%</b>
<b>Provincial Revenue Fund (Tax receipts)</b>	<b>1 387 432</b>	<b>1 449 866</b>	<b>1 515 110</b>	<b>1 562 078</b>	<b>4 527 054</b>	<b>3.8%</b>
<b>PRF Financing</b>	<b>3 317 087</b>	<b>1 360 015</b>	<b>796 832</b>	<b>-</b>	<b>2 156 847</b>	
<b>Asset Financing Reserve</b>	<b>689 046</b>	<b>223 666</b>	<b>-</b>	<b>-</b>	<b>223 666</b>	
<b>Total</b>	<b>92 469 923</b>	<b>90 815 900</b>	<b>93 160 995</b>	<b>95 472 717</b>	<b>279 449 612</b>	<b>2.5%</b>
<b>Percentages</b>						
<b>Transfers from National</b>	<b>90.8%</b>	<b>93.1%</b>	<b>93.9%</b>	<b>94.7%</b>	<b>93.9%</b>	
Equitable share	71.8%	75.4%	76.9%	77.6%	76.7%	
Conditional grants	18.1%	17.8%	17.0%	17.1%	17.3%	
Conditional grants rollover	0.9%	0.0%	0.0%	0.0%	0.0%	
<b>Own receipts</b>	<b>0.8%</b>	<b>0.8%</b>	<b>0.8%</b>	<b>0.8%</b>	<b>0.8%</b>	
<b>Motor Vehicle Licences (Tax receipts)</b>	<b>2.6%</b>	<b>2.7%</b>	<b>2.8%</b>	<b>2.8%</b>	<b>2.8%</b>	
<b>Provincial Revenue Fund (Tax receipts)</b>	<b>1.5%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>	
<b>PRF Financing</b>	<b>3.6%</b>	<b>1.5%</b>	<b>0.9%</b>	<b>0.0%</b>	<b>0.8%</b>	
<b>Asset Financing Reserve</b>	<b>0.7%</b>	<b>0.2%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>	
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

The revenue envelope follows the rules set out in the 2026 Budget strategy and approach and ensures that expenditure grows in line with realistic revenue forecasts, delivers on the objective of driving value for money, while enabling any new commitments to be covered through reprioritisation or savings.

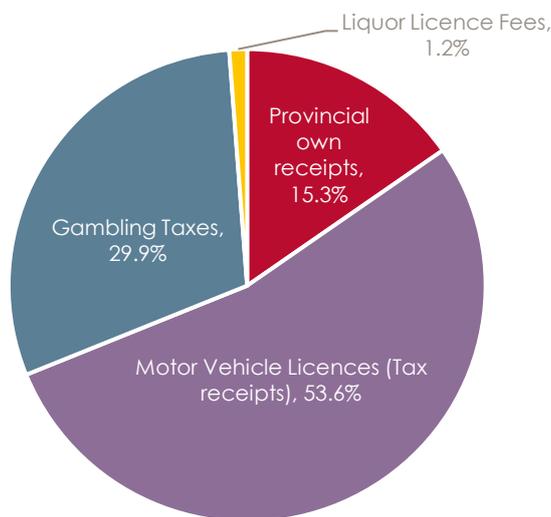
**Figure 3.2 Composition of WCG funding envelope over time 2022/23 to 2025/26**



The provincial revenue envelope mix from 2022/23 to 2028/29 is dominated by the equitable share, which consistently provides more than 70 per cent of total provincial funding. Conditional grants contribute the second-largest share, fluctuating between 16 and 19 per cent. This reflects the provinces' structural reliance on nationally allocated transfers to sustain core services.

Provincially raised revenue, comprising Motor Vehicle Licence (MVL) fees, gambling taxes, departmental receipts, health patient fees, and liquor licence fees, has increased from 4.7 per cent of the total revenue envelope in 2022/23 to 4.9 per cent in 2025/26, and is projected to reach 5.3 per cent by 2028/29. This upward trend is primarily driven by inflationary adjustments to motor vehicle licence fees and the rising revenue contribution from sports betting.

**Figure 3.3 Provincially raised revenue over the 2026 MTEF as a percentage of total own revenue**



Over 2026 MTEF MVL fees remain the single largest source of provincially collected revenue, accounting for 53.6 per cent of total collections. This is followed by gambling taxes, which contribute 29.9 per cent, and provincial own receipts collected by departments at 15.3 per cent. Liquor licence fees are projected to make up a modest 1.2 per cent to the overall provincial revenue.

Within the category of provincial own receipts, the Department of Health and Wellness is the leading contributor, projected to generate R490.858 million, most of which consists of hospital patient fees. The Department of Infrastructure follows with an estimated R115.479 million, while the Department of Agriculture is expected to contribute R43.103 million to provincial revenue. There is significantly more information, detail, and analysis on the Provinces own revenue streams and trends provided in the Provincial Own Revenue and Increasing Fiscal Autonomy section of this chapter.

## Conditional Grants as Instruments of Policy Delivery

Within the provincial funding envelope, conditional grants play a distinct role: they are not only a source of revenue, but targeted instruments through which national policy priorities are implemented in the Western Cape and as such come with fairly stringent conditions. This section examines the scale, composition and recent adjustments to the Province's conditional grant allocations, and considers how they support service delivery, respond to emerging shocks and interact with the equitable share and own-revenue within the broader fiscal framework.

Conditional grants remain central to the delivery of nationally mandated and co-funded programmes, with total allocations for 2026/27 amounting to R16.129 billion, or approximately 17.8 per cent of the provincial funding envelope, primarily directed towards the Education, Infrastructure (human settlements and roads), Health, and Mobility departments. Guided by a fiscal approach that emphasises value for money, the WCG prioritises improved grant performance and absorption, reduced underspending, and the alignment of conditional grant outcomes with the outcomes of the 2025 – 2030 PSP, while continuing to collaborate with National Treasury to strengthen predictability and ensure that grants effectively support service delivery systems.

**Table 3.7 Largest conditional grants**

Grant R'000	Medium-term estimate		
	2026/27	2027/28	2028/29
Education Infrastructure Grant	2 580 741	1 391 044	1 434 166
National Tertiary Services Grant	3 877 986	4 053 392	4 179 047
District Health Programmes Grant	<b>2 258 795</b>	<b>2 360 954</b>	<b>2 434 144</b>
of which:			
District Health Component	263 063	274 959	283 483
Comprehensive HIV/AIDS Component	1 995 732	2 085 995	2 150 661
Public Transport Operations Grant	1 344 418	1 405 213	1 448 775
Provincial Roads Maintenance Grant	1 054 211	1 102 009	1 136 171
Human Settlements Development Grant	1 685 438	1 761 655	1 816 266

### Additions to conditional grants allocations for 2025/26

#### National Tertiary Services Grant Correction

In the 2025 Budget, the Western Cape's allocation under the National Tertiary Services Grant was erroneously reduced by R40 million, with corresponding increases incorrectly applied to Eastern Cape and North West. This error has been formally corrected in the 2025 Division of Revenue Amendment Bill (DoRAB), restoring the full R40 million to the Western Cape. The National Department of Health has issued written notifications to all affected provinces, and revised payment schedules will reflect this adjustment.

### **Disaster Allocation via Section 6 of the National Appropriation Act**

The Western Cape has been allocated R79.694 million under the Provincial Roads Maintenance Grant for disaster recovery, following infrastructure damage caused by severe weather events between April 2024 and June 2025. This allocation was approved by the Minister of Finance under section 6(1)(b) of the National Appropriation Act, 2025, as an urgent expenditure that could not be delayed without serious prejudice. Although not linked to the Division of Revenue Amendment Bill, this amount will be formalised through the 2025 National Adjustments Appropriation Bill and published in the Government Gazette. The allocation will be reflected in the Province's 2025 Adjusted Estimates and incorporated into the revised payment schedules and third quarter reporting.

### **President's Emergency Plan for AIDS Relief (PEPFAR)**

The Western Cape has received an additional allocation of R90.922 million through the PEPFAR funding mechanism, administered under the District Health Programmes Grant. This allocation is specifically intended to strengthen the province's HIV/AIDS response, with a focus on prevention, treatment, and care initiatives at a district level.

### **Budget Facility for Infrastructure (BFI) Allocations**

Following delays in implementation due to the COVID-19 pandemic, the Western Cape received renewed planning allocations under the BFI for two regional hospital projects. Specifically, R22 million has been allocated to Belhar Regional Hospital and R31 million to Klipfontein Regional Hospital, totalling R53 million. These funds will flow through the Health Facility Revitalisation Grant and are earmarked for planning activities in the 2025/26 financial year. The allocation forms part of the reactivated BFI pipeline and will be reflected in the Province's 2025 adjusted appropriation and infrastructure planning documentation, with appropriate reporting in the In-Year Management System.

### **Early Childhood Development Grant**

In terms of section 7(4) of the Division of Revenue Act, 2025 (Act No. 2 of 2025), allocations to provinces for the Early Childhood Development Grant have been increased for the 2025/26 financial year. The Western Cape Province has received an additional R232.053 million, strengthening resources available to expand and improve early childhood development services. This adjustment reflects government's commitment to enhancing foundational learning opportunities and ensuring equitable support across provinces.

## **Provincial Own Revenue and Increasing Fiscal Autonomy**

While conditional grants and the equitable share constitute the bulk of the Western Cape's funding, they are determined at national level and come with policy conditions that limit provincial discretion. The final component of the fiscal framework is therefore the Province's own revenue and financing, which, although modest in size, provides an important margin of flexibility. Currently provincial own revenue and PRF Financing accounts for 6 per cent of the provincial funding envelope over the 2026 MTEF. This section outlines the scale, composition and growth trajectory of own revenue, and how strengthening these streams supports greater fiscal autonomy within a constrained fiscal environment.

Provincial own revenue is projected at R4.490 billion in 2025/26, growing at an AAGR of 4.1 per cent over the period 2025/26 to 2028/29, largely from motor-vehicle licences, hospital fees, and

gambling and liquor regulatory income. Guided by the revenue-optimisation strategy detailed in Chapter 2, the Province is strengthening compliance, digitising collections, and exploring sustainable new instruments such as the differentiated liquor licensing model and a potential tourism levy.

These initiatives align with the fiscal strategy's emphasis on fiscal sustainability and efficiency, ensuring that own-revenue growth supplements constrained national transfers while remaining consistent with the broader Growth for Jobs agenda and achieving the apex priority of the 2025 - 2030 PSP which is to help businesses grow and create jobs and equip the residents of the Western Cape to get those jobs.

**Table 3.8 Summary of projected provincial own receipts by departments and source**

Votes	2025/26	2026/27	2027/28	2028/29
R'000	Adjusted Budget	Medium Term Estimate		
<b>Provincial own receipts: Vote specific</b>	<b>716 641</b>	<b>712 965</b>	<b>744 747</b>	<b>767 835</b>
Department of the Premier	953	1 041	1 133	1 168
Provincial Parliament	90	94	98	101
Provincial Treasury	92	96	100	103
Police Oversight and Community Safety	273	290	308	318
Education	29 311	30 630	32 008	33 000
Health and Wellness	452 210	471 704	492 796	508 073
Social Development	1 436	1 501	1 569	1 618
Mobility	61 284	49 103	51 095	52 679
Environmental Affairs and Development Planning	3 328	3 478	3 635	3 748
Infrastructure	122 136	110 952	115 945	119 539
Agriculture	42 630	41 413	43 277	44 619
Economic Development and Tourism	442	462	483	498
Cultural Affairs and Sport	2 326	2 066	2 159	2 226
Local Government	130	135	141	145
<b>Motor Vehicle Licences (Tax receipts)</b>	<b>2 386 273</b>	<b>2 493 655</b>	<b>2 605 870</b>	<b>2 686 652</b>
<b>Provincial Revenue Fund: Tax Receipts</b>	<b>1 387 432</b>	<b>1 449 866</b>	<b>1 515 110</b>	<b>1 562 079</b>
Gambling Taxes	1 333 816	1 393 837	1 456 560	1 501 714
of which:				
Casino Taxes	463 618	484 481	506 283	521 978
Horse racing taxes	870 198	909 356	950 277	979 736
Liquor Licence Fees	53 616	56 029	58 550	60 365
<b>Total</b>	<b>4 490 346</b>	<b>4 656 486</b>	<b>4 865 727</b>	<b>5 016 566</b>

Provincial own receipts generated by departments are projected to grow at an average annual rate of 2.3 per cent, increasing from the 2025/26 adjusted estimate of R716.641 million to R767.835 million in 2028/29, which reflects a nominal change of R51.194 million over the period. Similarly, Provincial Revenue Fund (PRF) tax receipts are expected to increase at an average annual growth rate of 4.0 per cent, from R1.387 billion in the 2025/26 Adjusted Budget to R1.562 billion by 2028/29.

### Motor Vehicle License fees

It is anticipated that MVL fees will increase from R2.386 billion in the 2025 Adjusted Budget to R2.687 billion in 2028/29 at an AAGR of 4.0 per cent. This growth is primarily attributed to the implementation of revenue efficiency measures, growth in the number of motor vehicles, and below-inflation adjustments to MVL tariffs across the various motor vehicle tare<sup>3</sup> categories. The adjustment of MVL tariff fees for the 2026/27 financial year is currently under review.

### Gambling taxes

Gambling taxes consist primarily of taxes from casinos, horseracing, sports betting, and taxes from limited-payout machines. Gambling tax revenue has continued to grow steadily, driven largely by an increase in online sports betting. As a result, it is projected to grow at an AAGR of 4.0 per cent, from R1.334 billion in the 2025 Adjusted Budget to R1.502 billion in 2028/29.

### Hospital Patient Fees

Hospital patient fees are estimated to increase at an AAGR of 4.0 per cent from R341.624 million in the 2025 Adjusted Budget to R383.826 million in 2028/29.

The National Department of Health establishes patient fees through the Uniform Patient Fee Schedule (UPFS), which aims to standardise the fee structure for both public and private healthcare facilities. The UPFS has several key objectives, including 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 the Road Accident Fund (RAF), medical aids, state departments, and individuals.

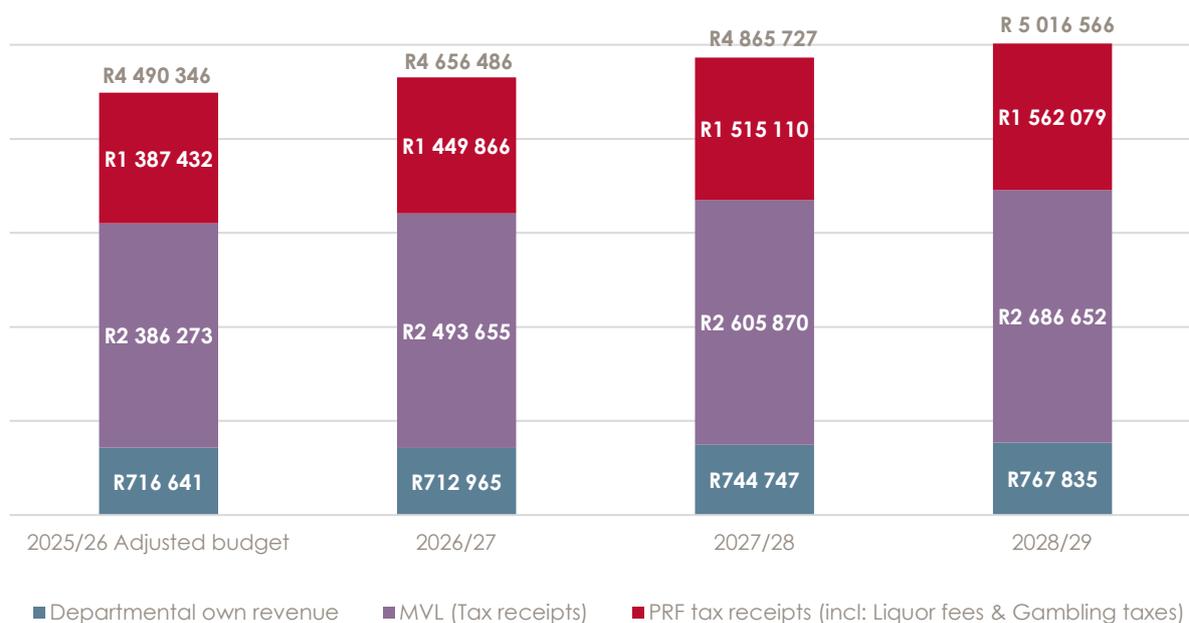
### Liquor License Fees

The Western Cape Liquor Authority (WCLA) is developing a differentiated pricing model which will allow the entity to categorise the liquor licensing market according to, for example, turnover, volume, trading hours, compliance, and location of outlets. This new approach will contribute towards the WCLA becoming self-sustaining while implementing an equitable and cost-reflective tariff regime.

The inflationary increases in liquor licence fees result in the estimated AAGR growth of 4.0 per cent from R53.616 million in 2025/26 Adjusted budget to R60.365 million in 2028/29.

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<sup>3</sup> "the weight of an unladen vehicle"

**Figure 3.4 WCG Own Revenue Composition Estimates in R'000 (2025/26 – 2028/29)**

The graph above illustrates the composition of provincial own revenue. Motor Vehicle Licence (MVL: tax receipts) fees are the largest contributor, amounting to R2.386 billion in 2025/26 and projected to increase to R2.494 billion in 2026/27, R2.606 billion in 2027/28, and R2.687 billion in 2028/29. The next major component is PRF tax receipts, which include gambling taxes and liquor licence fees. Revenue generated directly by provincial departments accounts for R741.849 million over the 2026 MTEF.

## Adjustment Budget and In-Year Responsiveness

While the preceding section focused on the structural composition of the Province's funding envelope and the incremental increase in fiscal autonomy provided by own revenue, the fiscal framework must also remain agile within the financial year. This section therefore turns to the 2025 Adjusted Estimates as the key instrument for in-year responsiveness, showing how additional resources, deferrals and reprioritisations are used to manage emerging pressures and prepare for the 2026 MTEF.

The key purpose of the 2025 Adjusted Estimates, as a first response to the 2026 Budget, is to:

- create fiscal sustainability for the remainder of the 2025/26 financial year,
- address in-year fiscal risks,
- to maintain fiscal discipline, and
- prepare for the 2026 MTEF Budget taking account of signals from the national 2026 budget process.

Due to the complexities of navigating changes at national level, the 2025 national Adjusted Estimates process was finalised later than usual. This impacted the provincial Adjusted Estimates, in that Departments have less time to spend funds post the tabling of the revised budget. As a result, the 2025 Adjusted Estimates is crafted to continue prudent decision-making in an uncertain environment.

The 2025 Adjusted Estimates make provision for an addition of R1.739 billion in expenditure for the 2025/26 financial year, which is outlined below and summarised in Table 3.9.

**Table 3.9 Western Cape 2025 Adjustment Budget**

<b>Summary of 2025 Adjustment Budget per Vote</b>				
<b>2025/26</b>				
	<b>R'000</b>	<b>Main Budget</b>	<b>Total adjustments</b>	<b>Adjusted Budget</b>
		<b>1</b>	<b>2</b>	<b>1+2=3</b>
1	Dept. of the Premier	2 012 784	104 963	2 117 747
2	Provincial Parliament	211 803	5 084	216 887
3	Provincial Treasury	359 755	(25 334)	334 421
4	Police Oversight and Community Safety	753 478	17 190	770 668
5	Education	33 259 103	(520 922)	32 738 181
6	Health and Wellness	32 007 601	641 692	32 649 293
7	Social Development	2 725 610	34 220	2 759 830
8	Mobility	3 223 468	141 662	3 365 130
9	Environmental Affairs & Dev. Planning	669 944	(21 776)	648 168
10	Infrastructure	9 827 629	1 100 417	10 928 046
11	Agriculture	1 021 484	282 229	1 303 713
12	Economic Development and Tourism	515 005	(23 192)	491 813
13	Cultural Affairs and Sport	958 692	10 007	968 699
14	Local Government	440 022	(7 032)	432 990
	<b>Sub Total</b>	<b>87 986 378</b>	<b>1 739 208</b>	<b>89 725 586</b>
	Direct Charge	57 386	–	57 386
	<b>Total</b>	<b>88 043 764</b>	<b>1 739 208</b>	<b>89 782 972</b>

Source: Western Cape Provincial Treasury

The total allocation of funds received from the national fiscus during the 2025/26 Adjusted Estimates is R1.070 billion. These funds consist of National Conditional Grants amounting to R496.506 million and PES allocation of R573.567 million.

- National Conditional Grants received of R496.506 million are for the following:
  - Early Childhood Development Grant for the increase in the early childhood development subsidy and expansion of early learning – R232.053 million.
  - District Health Programmes Grant, the Comprehensive HIV/AIDS Component for stabilising HIV service delivery across the Province due to the withdrawal of the US President's Emergency Plan for AIDS Relief (PEPFAR) funding – R90.922 million.
  - Health Facility Revitalisation Grant (HFRG) for the Budget Facility for Infrastructure (BFI) for Klipfontein and Belhar Regional Hospitals - R53.837 million.

- National Tertiary Services Grant (NTSG) is a correction of an allocation error between provinces - R40 million.
- Disaster Funding allocated to the Provincial Road Maintenance Grant – R79.694 million.
- PES allocation from the national fiscus:
  - The national fiscus approved additional PES allocations totalling R1.005 billion to support the Departments of Education (R292.113 million) and Health and Wellness (R712.724 million). These allocations, made in terms of Section 6 of the National Appropriation Act, 2025, are intended to strengthen service delivery in the two departments. The purpose of the funding, where applicable, is to retain teachers and health professionals, appoint additional educators, and absorb unemployed doctors, while also alleviating inflationary pressures.
  - For the Department of Health and Wellness, R573.567 million will be utilised in the 2025/26 financial year, to mitigate in-year pressures on Goods and services with the remaining R139.157 million deferred to 2026/27. The deferment is primarily due to the timing of the allocation, which was received with four months remaining in the current financial year, and the lengthy processes involved in filling posts.
  - The R292.113 million allocation for Education for Compensation of employees to retain teachers and appoint additional educators will be deferred to the 2026/27 financial year. This deferment is mainly due to the lead time it takes to recruit personnel and to support the basket of post sustainability.

In preparation for the 2026 MTEF, taking into consideration the impact of the later-than-usual finalisation of the 2025 national Adjusted Estimates process on the provincial Adjusted Estimates process, the provincial Adjusted Estimates realigns funding from the 2025/26 financial year to the 2026 MTEF. Most of this realignment is within the Department of Education to assist in mitigating service load pressures at schools to address projected system growth challenges which includes new learners, educator post growth and necessary infrastructure.

One of the focus areas related to the Growth for Jobs (G4J) Strategy is ensuring the necessary infrastructure is in place to support economic growth. During this Adjusted Estimates process, the following allocations are in support of this:

- R114 million to ease pressures within roads transport infrastructure.
- R181 million to provide funding towards the acceleration of housing delivery within Human Settlements.

In addition, the 2025 - 2030 PSP focuses on creating a safe, prosperous, and sustainable Western Cape through two of its four key priorities: Safety; and an Educated, Healthy and Caring Society (EHACS). The following allocations support these policy priorities:

- R9 million to the Department of Police Oversight and Community Safety for the Mitchell's Plain Safety and Development Programme. This initiative addresses crime prevention and community safety in high-risk areas.
- R3.5 million to the Department of Cultural Affairs and Sport for sports and cultural initiatives by fostering social cohesion, youth development, and healthy lifestyles through sports and cultural programmes. These initiatives reduce vulnerability to crime and substance abuse, aligning with the PSP's focus on building resilient communities.

- R2.5 million to the Department of Environmental Affairs and Development Planning to support environmental and wildlife management by promoting sustainable environmental practices and biodiversity conservation.
- R10 million to the Department of Social Development to provide care, health and dignity for older persons.

The 2025 Adjusted Estimates budget demonstrates a commitment to fiscal sustainability, reinforces the implementation of provincial strategies and projects aligned with the PSP, and upholds the track record of prudent decision-making amid uncertainty.

## **Risk Management and Medium-Term Outlook**

With in-year responsiveness, agility, and adaptability in mind after having provided and discussed the 2025 Adjustment Budget it makes sense to discuss how the fiscal framework mitigates risk over the medium-term. Looking ahead over the 2026 MTEF the provincial fiscal framework faces three principal risks: (a) macro-fiscal shocks that reduce national transfers to provinces; (b) wage and inflation pressures that erode real baselines; (c) grant volatility linked to national reprioritisation and policy priority shifts and (d) severe weather events that reduce Provincial reserves. The WCG mitigates these through its reserves and investment policy, which includes its Asset Finance Reserve (AFR), its own-revenue enhancement strategy, strong cash management, and the gradual institutionalisation of Alternative and Blended Finance (ABF) to crowd in non-fiscal capital.

### **Provincial Reserves and Investment Policy**

One of the principal strategies employed to manage risks is the building up of and use of provincial reserves to manage risks over the medium-term including unforeseen and unavoidable events. In line with this, the WCG has established and builds up and maintains the reserves discussed below whenever feasible, while ensuring that provincial public services are delivered to Western Cape residents and that the policy priorities of the 2025 – 2030 PSP are adequately resourced.

All funds in the reserves are invested to ensure the WCG grows the capital it has. In line with this, the WCG has a clear Banking, Cash Management and Investment Policy that supports sound fiscal management and gives effect to the principle of ensuring long-run fiscal sustainability. This policy gives effect to the principle by requiring that, on a daily basis, or as and when surplus funds are available in the Provincial Exchequer Account, such funds shall be invested with approved Financial Institutions within South Africa, including the Corporation for Public Deposits.<sup>4</sup> This provision applies to all departments, public entities, and trading entities, of the WCG and reinforces the requirement that surplus or investable funds be transferred to the PRF. In addition, the Provincial Treasury is empowered, in terms of section 24(3)(a) and (b) of the Public Finance Management Act (PFMA), to temporarily invest monies in the Republic that are held in the PRF but are not immediately required. Funds received or generated are invested in line with the cash flow requirements of the votes to maximise returns. The additional returns generated are subsequently reinvested in service delivery or capitalised, as and when required. This approach ensures that interest income derived from investments is optimally utilised to support the provincial

<sup>4</sup> (Section 5.1(f)) of the Western Cape Government Banking, Cash Management and Investment Policy

policy priorities of the 2025 - 2030 PSP and to mitigate budgetary shortfalls. It is especially important in light of the prevailing national fiscal constraints and low growth environment.

### Unforeseen and Unavoidable Reserve

This reserve provides the Province with a fiscal mechanism to respond to expenditure pressures that could not reasonably have been anticipated during the finalisation of the main budget process. This reserve is specifically earmarked for emergencies such as natural disasters, public health crises, or other urgent events which may require immediate intervention and funding. Allocations from the reserve are effected through the Adjustments Appropriation process, ensuring that funding is both transparent and legally compliant. By maintaining this reserve, the Western Cape government maintains a resilient fiscal framework, safeguarding service delivery while preserving the integrity of the budget in the event of unexpected shocks.

### Fiscal Stabilisation Reserve

This reserve is maintained to protect the Province against unexpected macroeconomic and fiscal volatility that could undermine the sustainability of service delivery. The reserve provides a buffer to absorb revenue shortfalls, unexpected expenditure pressures, or broader economic downturns. It is designed to ensure that the Province can continue funding core programmes without resorting to budget cuts which may be disruptive. Allocations from the reserve are effected through the Adjustments Appropriation process, thereby ensuring transparency and compliance with statutory requirements. By holding this reserve, the Western Cape reinforces fiscal resilience, enabling government to manage risks brought about by macroeconomic variability.

### Asset Finance Reserve (AFR)

The WCG has had the Asset Financing Reserve (AFR) as a central fiscal instrument within the PRF for a number of years. The AFR strengthens the provincial fiscal framework by managing unspent balances, surpluses and non-recurring revenues transparently and directing them to infrastructure. As part of the PRF, it ensures these resources are not dissipated but reserved for catalytic infrastructure projects that advance the Province's strategic objectives, enhancing fiscal credibility, building resilience and supporting long-term growth and recovery. As a part of the 5-year budget reforms and initiatives to enable the long-term planning and financing required for infrastructure the AFR is being expanded into four dedicated sub-reserves, Infrastructure, Roads, Human Settlements, and the Immovable Asset Finance Reserve.

The sub-reserve structure is as follows:

- **Infrastructure AFR:** Provides multi-year financing for large-scale social and economic infrastructure, including education, health, and ICT systems. This financing supports service delivery expansion and economic growth throughout the Province.
- **Roads AFR:** Funds the construction, maintenance, and upgrading of provincial road networks and in doing so enhances mobility, reduces infrastructure backlogs, and secures sustained investment in transport systems.
- **Human Settlements AFR:** Allocates capital for housing development, integrated settlements, and bulk services which contribute to spatial equity and helps address the provincial housing backlog through sustainable funding streams.

- **Immovable Asset Finance Reserve:** a successor to the former Acquisition of Property Reserve, it is dedicated to the acquisition, development, and lifecycle maintenance of immovable assets, land and other ecological infrastructure, buildings, and facilities owned by the province and it enables strategic property management, conservation, and preservation of asset value.

This structure strengthens capital planning, supports strategic development priorities, and ensures sustainable infrastructure investment across the WCG.

The Provincial Treasury manages the AFR and its sub-reserves with full oversight of inflows and outflows. Outflows are authorised through the Main and Adjusted Budgets, or in exceptional cases under section 25 of the PFMA to address emergencies. Large projects extending beyond the MTEF may require capital build-up in the AFR, with phased drawdowns aligned to project timelines.

### The Western Cape Fiscal Futures (WCFF) Model

The WCG utilises the Western Cape Fiscal Futures (WCFF) model to project the medium and long-term financial performance and the financial position of the Western Cape. As touched on in chapter 2, it is one of the budget enablers and an important tool for medium-term risk analysis. It combines analytic inputs that describe baseline policy settings relating to revenue and expenditure with economic and demographic long-term forecasts that determine the outlook for the WCG's operating balance and balance sheet position. The model provides a set of rolling 10-year fiscal scenarios for the WCG. It enables the WCG to know what the implications of the National Treasury's budget projections might be for the Province's finances 3 - 10 years ahead of time. This tool supports policy strategy formulation by enabling detailed scenario analysis and toggling of different policy choices to meet any expected funding gaps over the long-term.

Having explained and contextualised the WCFF, it is prudent to turn to discussing the application of the model to the WCG 2026 MTEF. Based on the assumptions of the National 2025 MTBPS, the model applies a constant fiscal framework and the Western Cape's proportional share of the national PES to assess baseline, optimistic, and pessimistic growth paths over the next ten years. The projections generated by the model were closely mirrored with the National Treasury's outlook for the 2025 MTBPS, ensuring both analytical consistency and policy relevance. The allocations for the WC's PES and conditional grants are generally in accordance with national projections, reinforcing the Province's fiscal reliance on national revenue performance.

The WCFF model confirms that the Province's fiscal path is tightly bound to national macroeconomic performance and the associated trajectory of the PES and conditional grants. Calibrating the WCFF with National Treasury's 2025 MTBPS projections shows the Western Cape's PES broadly tracking the national main budget PES baseline across scenarios, while pessimistic conditions-slower GDP growth, weaker revenue and rising national debt-service costs-compress real PES growth and place downward pressure on conditional grants. This combination erodes real spending power and constrains the scope for service-delivery expansion, even where provincial expenditure is well-managed.

Across baseline, optimistic and pessimistic scenarios, the WCFF highlights a consistent set of sustainability risks:

- escalating national debt-service costs,
- tight constraints on national non-interest expenditure,
- and limited provincial flexibility to expand own-revenue.

These dynamics mean that provincial fiscal stability depends more on the national fiscal stance and revenue performance than on internal policy adjustments alone. Embedding the WCFF into the provincial MTBPS process therefore strengthens the credibility of the fiscal framework, sharpens risk assessment, and supports more resilient medium-term planning by signalling the need for enhanced revenue autonomy, stronger efficiency gains, disciplined expenditure management, and the phased implementation of the Value-for-Money reform agenda detailed in Chapter 2.

### Applying the Western Cape Fiscal Future Model to Help Manage Risk over the 2026 MTEF

Table 3.10 below provides the custom scenario assumptions dashboard utilised for scenario modelling. The grey box (which derives from the national module) details the baseline scenario assumptions based on National Treasury's main budget assumptions, including nominal GDP growth, nominal revenue, and the WC share of the PES, etc. The purple box provides the custom scenario assumptions, which shows the variance from the baseline model, for example, a one per cent increase in national revenue and a 0.5 per cent decrease in national debt service costs. Finally, the blue rectangles provide the pessimistic and optimistic scenario assumptions and their variance from the baseline model (which is a 1 per cent increase under the optimistic scenario and a 1 per cent decrease of the nominal GDP under the pessimistic scenario).

**Table 3.10 Custom scenario assumptions**

Scenario type (% change in YoY growth rates)	3Y	Y4:Y10	Standardised Optimistic (10Y)	Standardised Pessimistic (10Y)
Nominal GDP			1.0%	-1.0%
Implied debt service costs	-0.50%		-1.0%	1.0%
Compensation of Employees				
Non-interest expenditure (G&S, Transfers, Capital)				
Revenue	1.0%			
Change in WC share PES	0%			
Growth: Revenue Buoyancy (unit change)				
Base Year	2024/25			
Baselines (% change in YoY growth rates)				
	3Y	Y4:Y10		Accelerator/Decelerator
Nominal GDP	5.2%	5.2%	Non-interest expenditure	10%
Compensation of Employees	5.2%	5.2%	Debt service costs	10%
Implied debt service costs	7.5%	7.4%		
Nominal Revenue	7.2%	7.6%		
National PES	4.1%	4.9%		
WC share PES	10.3%	10.4%		
Growth: Revenue Buoyancy	1.2	1		

Figure 3.5 shows the impact of the custom scenario on the PES received by the Western Cape. For example, the 1 per cent increase in national government revenue under the custom scenario would result in an estimated additional R1.2 billion in PES for the Western Cape in 2026/27. The estimated additional PES allocation under the custom scenario continues to be higher than the baseline scenario although the difference between the scenario's PES allocations narrows over time.

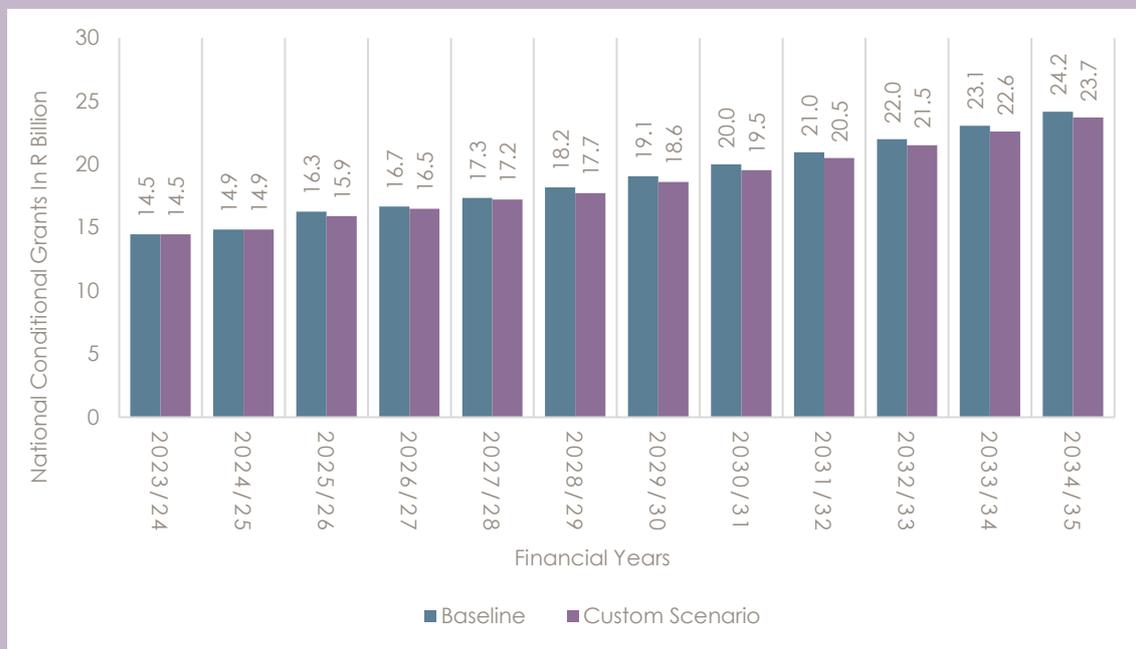
**Figure 3.5 Western Cape PES Projections: Baseline vs Custom Scenario in R Billion**



Source: WC Fiscal Futures Model

Figure 3.6 shows the impact of the custom scenario on the conditional grants received by the Western Cape. For example, the 1 per cent annual increase in national government revenue and the 0.5 per cent annual decrease in debt service costs under the custom scenario would result in an estimated decrease in conditional grants to the Western Cape of R500 million in the outer year of the 2026 MTEF (2028/29). This is interesting as unlike with the PES allocations the custom scenario would result in less conditional grants rather than more coming through to the Provincial fiscus.

**Figure 3.6 Western Cape Conditional Grant Projections: Baseline vs Custom Scenario in R Billion**



Source: WC Fiscal Futures Model

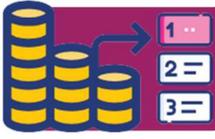
## ■ Conclusion

The analysis in this chapter confirms that the Western Cape's fiscal framework is being constructed in a context of tight national consolidation, modest real growth in transfers, a significant declining trend in real PES per capita, and rising demographic pressures. National debt stabilisation and a narrowing deficit provide some macro-fiscal reassurance, but the combination of slow revenue growth, elevated debt-service costs and a static PES share means that fiscal space at the provincial level remains constrained. Within this environment, the WCG must fund core mandates, respond to population and service-delivery pressures, and support structural reform, all while protecting fiscal sustainability.

To manage these pressures, the WCG relies on a mix of instruments: a PES that underpins core services, conditional grants that target national and provincial priorities, and own revenue that provides a modest but important degree of autonomy. These are complemented by a strengthened reserves architecture, an expanded AFR, and the use of the WCFF model to anticipate risks and test policy choices. Together, these tools enable a more deliberate balancing of short-term pressures with long-term investment and resilience, including through the gradual scaling of alternative and blended finance.

Together, the fiscal strategy and framework presented aim to achieve value for money, strengthen fiscal resilience, and create enough fiscal room to enable and resource the policy priorities of the 2025 - 30 PSP that are set out in the next chapter. Chapter 4 will outline how limited fiscal space is being channelled toward catalytic portfolios - **Growth for Jobs, Safety, Educated, Healthy and Caring Society**, and **Innovation, Culture and Governance** - to deliver measurable impact and accelerate progress toward achieving the 2025 – 2030 PSP.





# BUDGET POLICY PRIORITIES

## GLOBAL, NATIONAL AND PROVINCIAL POLICY CONTEXT



### GLOBAL

Sustainable Development Goals, 2030  
The African Union Agenda 2063 Goals



### NATIONAL

Government of National Unity  
National Development Plan 2030  
Medium Term Development Plan



### PROVINCIAL

Provincial Strategic Plan 2025 - 2030

## Provincial Strategic Plan 2025 - 2030

### APEX PRIORITY

HELPING BUSINESSES GROW AND CREATE JOBS  
EQUIPPING YOU TO GET THOSE JOBS

#### GROWTH FOR JOBS



Municipal Investment Readiness

Investment and Export Promotion

Freeport Saldanha Green Hydrogen Hub Development

Atlantis SEZ Greentech Expansion

Just Energy Transition Investment Plan

Energy Resilience and Grid Enablement

Green Economy Ecosystem Support

Export Competitiveness and Accelerator Programmes

Skills and Employability Pathways

Ease of Doing Business and Regulatory Improvements

#### SAFETY



LEAP Deployment

Chrysalis Academy Programme

K9 Enforcement Units

Neighbourhood Watch and CPF Support

Integrated Surveillance Systems

Area-Based Team Interventions

Liquor Regulation and Enforcement

Provincial Traffic Law Enforcement

Rail Safety and Restoration Support

Risk and Vulnerability Assessment

#### EDUCATED, HEALTHY AND CARING SOCIETY



Career Guidance and Career Clubs

Expansion of Schools of Specialisation

Industry-Aligned Curriculum and Skills Pathways

Health Services

Expanded Public Works Programme Health Support

Community Nutrition and Development Centres

Mental Health and Psychosocial Support

Child Protection Services

Support for Persons with Disabilities and Older Persons

Youth Development and Afterschool Programmes

#### INNOVATION, CULTURE AND GOVERNANCE



Impact Strategic Framework

Disaster Risk Management Modernisation

Municipal Governance and Fiscal Sustainability

Technology and Innovation Ecosystem Development

Digital Transformation and Broadband

Cape Access and Digital Inclusion

Integrated Provincial Governance

Strategic Supply Chain Management

Alternative and Blended Finance Programme

Data and Evidence Systems Strengthening

## WCG POLICY PORTFOLIO AREAS

# 4

## Budget Policy Priorities

### In summary

- The 2025 Medium Term Budget Policy Statement (MTBPS) outlines the Western Cape Government's (WCG's) budget policy priorities within the framework of the Provincial Strategic Plan (PSP) 2025 - 2030.
- The PSP establishes four transversal portfolios; Growth for Jobs (G4J), Safety, Educated, Healthy and Caring Society (EHACS), and Innovation, Culture and Governance (IC&G), which guide integrated planning, budgeting, and delivery across the WCG.
- The budget policy priorities reflect the Province's commitment to maintaining fiscal sustainability with the need to accelerate inclusive economic growth, strengthen social wellbeing, enhance safety, and improve governance.
- The G4J portfolio focuses on supporting growth through investment, energy opportunities and market access as well as creating an enabling environment through unlocking infrastructure, technology & innovation, water resilience and improving employability.
- The Safety portfolio prioritises evidence-based violence reduction, community resilience, and effective law enforcement.
- The EHACS portfolio strengthens core social services and human development outcomes by improving education, health, and social support systems across key transition points in residents' lives.
- The IC&G portfolio embeds innovation, accountability, and improved organisational capability to support efficient and integrated service delivery.
- The WCG's approach emphasises value for money, evidence-based decision-making, and stronger links between outcomes, outputs, and budgets. Through this integrated and resident-centred model, the Province aims to improve economic opportunity, enhance safety, and support the wellbeing and dignity of all residents.

### ■ Introduction

The 2025 Medium Term Budget Policy Statement (MTBPS) takes place during a period of economic constraint and structural reform. Guided by the 2025 - 2030 PSP, the Western Cape Government (WCG) remains focused on achieving inclusive growth, improving the wellbeing of residents, and strengthening governance and accountability.

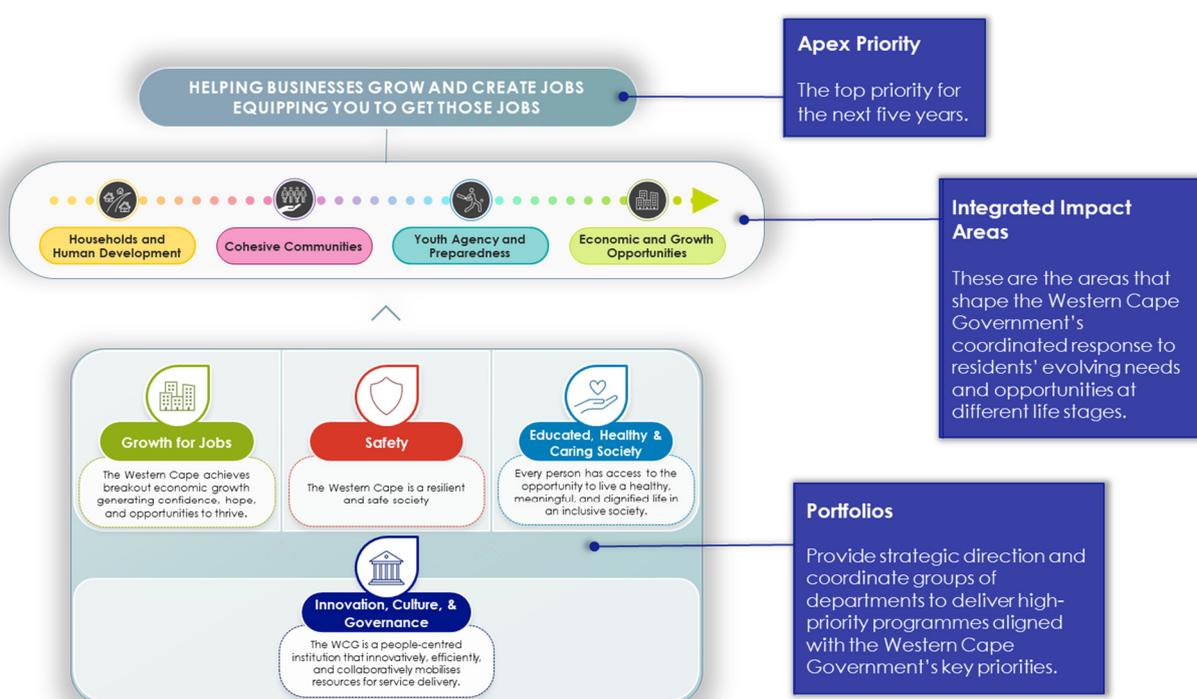
The 2025 - 2030 PSP outlines a long-term vision of building a government that people trust and a province where every resident can progress and thrive. It introduces an Integrated Change Strategy and adopts a Life Course and Systems Approach that ensures government interventions are people-centred, responsive, and co-ordinated.

The 2025 - 2030 PSP sets out four transversal portfolios that provide strategic architecture for integrated action across the WCG:

- **Growth for Jobs (G4J)** – enabling breakout economic growth and job creation.
- **Safety** – building resilient and safe communities and reducing violence.
- **Educated, Healthy, and Caring Society (EHACS)** – improving health, education, and social wellbeing outcomes.
- **Innovation, Culture, and Governance (IC&G)** – fostering innovation, good governance, and cultural inclusion.

Together, these portfolios are structured around the WCG's apex priority of **helping businesses grow and create jobs and equipping residents to access those jobs**. This chapter outlines how the Province integrates its fiscal and policy choices within this framework to promote sustainable development, resilience, and shared prosperity.

**Figure 4.1 Overview of the Provincial Strategic Plan 2025 - 2030**



Source: WCG Provincial Strategic Plan, 2025 – 2030

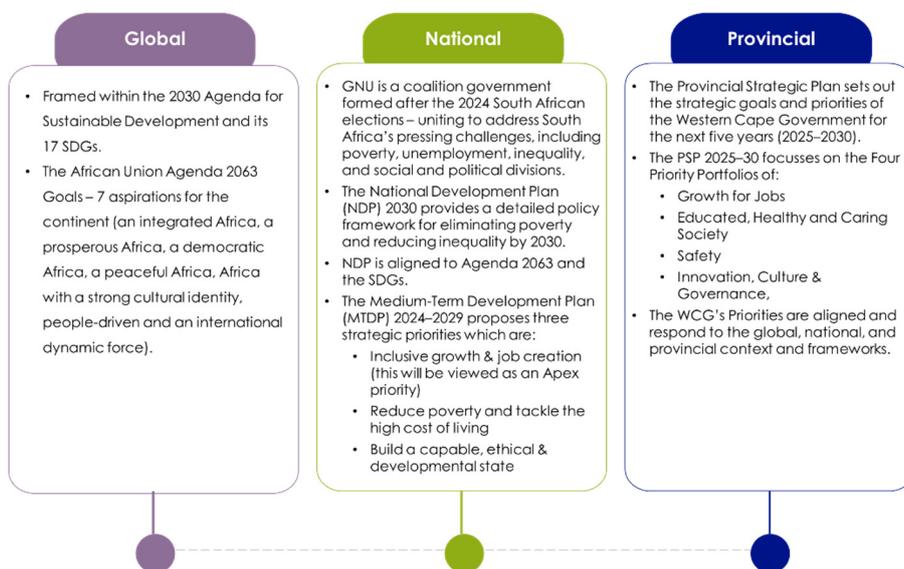
## Global, national and provincial policy context

The WCG's priorities are shaped within a global environment marked by slow economic growth, tightening fiscal space, and increasing climate and energy-related risks. The WCG's priorities continue to align with international and national frameworks such as the United Nations Sustainable Development Goals (SDGs), the African Union Agenda 2063, the Government of National Unity (GNU), the National Development Plan (NDP), and South Africa's Medium-Term Development Plan (MTDP) 2024 to 2029.

The MTDP focuses on three national priorities: inclusive growth and job creation, reducing poverty and the cost of living, and building a capable and ethical state. These priorities firmly align with the 2025 - 2030 PSP portfolios:

- **Economic growth and job creation:** Through G4J, the WCG strengthens economic resilience by supporting infrastructure investment, energy security, innovation, and market access.
- **Reducing poverty and improving wellbeing:** The EHACS and Safety portfolios work together to expand access to education, healthcare, social development services, and safer communities that enable residents to improve their quality of life.
- **Building a capable, ethical, and developmental state:** IC&G drives governance innovation, accountability, and public-sector reform.

**Figure 4.2 Global, national, and provincial policy context**



At the provincial level, the 2025 - 2030 PSP adopts a Life Course and Systems Approach, which examines how residents need to progress and thrive at every stage of life. This approach maps all government services to the life course of residents, illustrating how programmes and departments interact to support individuals from early childhood through to old age. It ensures that government interventions respond to real-life vulnerabilities, challenges, and opportunities based on lived experiences.

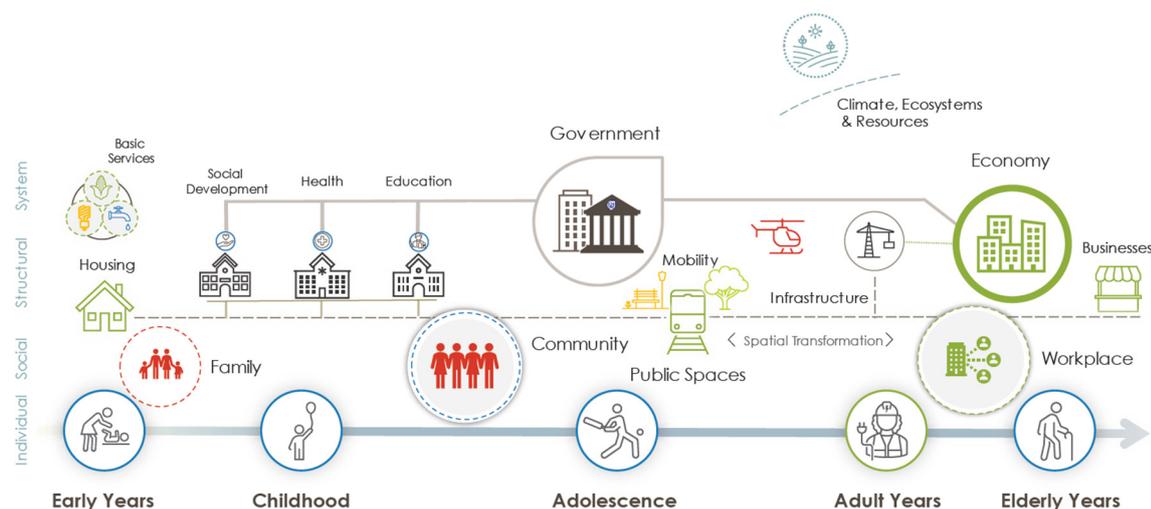
The 2025 - 2030 PSP identifies four dimensions that shape people's ability to thrive:

- **Individual dimension:** personal skills, motivation, and capabilities to take advantage of opportunities.
- **Social dimension:** family, community, and networks that provide safety, support, and opportunity.
- **Structural dimension:** physical infrastructure and services that enable access and mobility.
- **System dimension:** broader governance, environmental, and economic conditions that sustain success.

The 2025 - 2030 PSP recognises that residents do not experience government through departmental structures but through the services that impact their lives. This resident-centred approach represents a shift from government-centric planning to coordinated, outcome-driven

delivery that connects programmes, avoids duplication, and identifies service gaps. The 2025 - 2030 PSP's four integrated impact areas: Households and Human Development, Cohesive Communities, Youth Agency and Preparedness, and Economic and Growth Opportunities provide the foundation for coordinated policy and budget planning across portfolios.

**Figure 4.3 Life Course and Systems Approach**



Source: WCG Provincial Strategic Plan, 2025 – 2030

## Medium term budget policy framework

### Integrated policy, planning, budgeting and implementation

The WCG continues to strengthen integration between policy, planning, budgeting, and implementation to ensure that limited public resources achieve maximum impact. The approach is guided by the Five-Year Fiscal Strategy, outlined in Chapter 2, which emphasises:

- Maintaining fiscal discipline and credibility.
- Promoting evidence-based and targeted service delivery.
- Enhancing economic resilience and accelerating inclusive growth.

Building on the Five-Year Budget Approach, the 2026 Budget deepens the focus on value for money to ensure that every rand spent delivers tangible benefits for residents while supporting long-term fiscal sustainability. This reflects a shift from an emphasis on fiscal discipline toward a stronger focus on impact, efficiency, and the use of credible evidence. Value for money is assessed across two dimensions: the effectiveness of interventions in achieving their intended results, and the efficiency with which these results are delivered. This approach is central to implementing the 2025 - 2030 PSP and is supported by the development of the Provincial Strategic Implementation Plan (PSIP), which will link provincial outcomes with departmental planning, resourcing, and delivery.

A key element of this approach is strengthening the connection between long-term outcomes, annual outputs, and the budgets that support them. The WCG is increasingly using a Theory of Change method to map how activities lead to outputs, how outputs contribute to outcomes, and how outcomes advance the broader societal impact envisaged in the 2025 - 2030 PSP. This requires making stronger use of data and evidence, such as that contained in the Provincial Economic Review and Outlook and the Municipal Economic Review and Outlook to identify

where government interventions will have the greatest impact, where resources may need to be reprioritised, and where service delivery models can be improved.

Through this integrated and outcome-driven approach, the WCG aims to target resources where they matter most, enhance the effectiveness of public services, and support long-term economic and social resilience. Departmental plans and budgets continue to reflect mandated service delivery responsibilities, while the portfolio structure provides the leverage needed to drive system-wide impact and address transversal priorities. This strengthens the WCG's ability to deliver measurable improvements in economic opportunity, safety, education, wellbeing, dignity, and governance, reinforcing its commitment to building a resilient, inclusive, and sustainable Western Cape.

## ■ Medium term budget policy priorities

The medium term budget policy priorities aim to direct available resources toward initiatives that generate inclusive growth, improve social outcomes, and strengthen public sector capability. The WCG continues to balance fiscal sustainability with the need to protect frontline services and invest in the foundations of long-term prosperity. The WCG will specifically focus on enhancing economic growth and resilience through G4J, improving social wellbeing through EHACS, building safe and cohesive communities through the safety portfolio and fostering innovation and good governance through IC&G.

This integrated and evidence-based approach ensures that fiscal decisions are aligned with the 2025 - 2030 PSP's long-term vision of a resilient, inclusive, and thriving Western Cape where every resident has the opportunity to live a dignified and productive life.

## ■ Portfolio 1: Growth for Jobs

The G4J Portfolio is the Western Cape Government's primary vehicle for achieving its top strategic priority for 2025 - 2030: driving sustained economic growth that expands opportunity and enables businesses to create jobs. The WCG positions economic growth as the primary means to empower residents to become self-sufficient, improve their wellbeing, and participate meaningfully in the economy.

The Portfolio is underpinned by the G4J Strategy 2035, which aims to grow the provincial economy to R1 trillion in real terms by 2035, supported by annual growth of 4 - 6 per cent. The strategy identifies seven Priority Focus Areas that guide provincial action:

- Attracting investment;
- Expanding export and domestic markets;
- Advancing the energy transition and a net zero pathway;
- Securing water resources;
- Strengthening technology and innovation;
- Enabling infrastructure and a connected economy; and
- Improving access to economic opportunities and employability.

Through a five-year Implementation Plan (2025 - 2030), the G4J Portfolio coordinates targeted, cross-government interventions to unlock growth, remove constraints to business, and direct resources toward high-impact opportunities. This integrated approach ensures that the benefits

of growth cascade directly into residents' lives, contributing to safer communities, improved human development outcomes, and a more inclusive, resilient economy.

### **Driving Growth Opportunities through Investment**

This focus area aims to boost fixed investment, improve investor confidence, and unlock catalytic opportunities that support long-term economic expansion. In 2024/25, the Department of Economic Development and Tourism (DEDAT) advanced the Municipal Investment Readiness Programme across all district municipalities. This included refining the municipal investment readiness scorecard, developing district investment pipelines, and assessing systems and processes to support investment facilitation.

DEDAT and the Western Cape Tourism, Trade and Investment Promotion Agency (Wesgro) continued to support direct investment. In 2024/25, fourteen investment projects were facilitated with a combined value of approximately R14 billion, expected to generate more than 11 000 jobs over the next five years. Investment promotion activities were supported through trade missions, delegations, engagements with investors, and specialised networking events. Wesgro's trade and investment work also contributed to securing over 200 export declarations with a combined estimated value of more than R5 billion. Over the 2026 MTEF Wesgro will focus on specific and targeted measures to attract, facilitate and prioritise new investment in identified export-priority areas such as the green economy, life sciences and health, logistics, green manufacturing, food and beverages, and other services. In addition, Wesgro will target new markets, including China, India, ASEAN, and the Middle East, as Western Cape businesses expand their global footprint, Wesgro remains a key partner in helping companies navigate international markets and supporting their growth strategies.

Catalytic infrastructure projects remained a key enabler of investment. Freeport Saldanha (FPS), designated under the Special Economic Zone (SEZ) Act, progressed as a green hydrogen hub through feasibility work with four developers. FPS initiated the development of an infrastructure master plan to support large-scale green hydrogen production and export. Over the 2026 MTEF, FPS will seek to broaden its focus on Maritime and Energy focus by diversifying into broader port services and strengthening income-generating activities. It will continue advancing a strong investor pipeline and lead provincial co-ordination efforts aligned with national green hydrogen commercialisation priorities. The Atlantis Special Economic Zone (ASEZ) also demonstrated sustained growth, completing civil works in Zone 1 and securing eight site reservations. Several greentech innovations were piloted within the zone, including recycled plastic road surfacing, solar paving, vertical wind turbines and hydrogen-powered energy systems. Over the 2026 MTEF, ASEZ will build on the completed Zone 1 infrastructure by deepening its role as a hub for clean manufacturing and greentech innovation. It will focus on attracting and supporting green technology investors while working with national government to enhance the policy environment and advance the Province's transition to a low-carbon, climate-resilient economy.

A strategic shift towards the Commodity Approach has enabled the Department of Agriculture (DoA) to strengthen land reform outcomes by focusing resources on targeted, commodity-specific support along value chains. This approach builds resilience and opens sustainable economic opportunities for new participants in the sector, particularly those benefiting from land reform programmes. Continuous advisory support has translated into tangible progress: in 2024/25, 4 001 farmers received guidance through these specialised initiatives, and the Department aims to continue assisting 3 800 farmers annually over the 2026 MTEF, affirming its ongoing commitment to inclusive transformation and sectoral development.

The Green Economy Ecosystem Support (GEES) project assists Western Cape businesses and municipalities by providing practical support for adopting green technologies and to enter renewable energy and water-smart markets. In 2024/25, GEES directly assisted over 330 businesses, delivered training and specialist support to municipalities on rooftop solar, battery storage, and tariff setting, and drove targeted communications, including market intelligence reports, podcasts, and radio campaigns to raise awareness about sector opportunities. Through these efforts, GEES has advanced ecosystem growth, strengthened investment readiness, and helped position the Province as a national leader in the green economy.

The Western Cape Mobility Department (WCMD) advanced the Western Cape Freight Strategy and the continued development of the Integrated Transport Hub (ITH), the digital backbone linking regulatory, enforcement, fare and freight systems to improve operational efficiency and outcomes. Looking ahead, the WCMD will prioritise bottleneck removal, development of new intermodal facilities, branch-line revival, and expanding private participation in ports and rail. These initiatives are supported by the Freight Demand Model and a linked enforcement system, alongside weighbridge efficiency improvements being pursued with the Department of Infrastructure (DoI).

### Driving Growth Through Investment Partnerships

The inaugural Western Cape Investment Summit showcased the crucial role that strategic partnerships play in accelerating economic growth and job creation. By connecting global and local investors with a pipeline of high-impact projects, the Summit demonstrated how coordinated government action can unlock private-sector investment at scale. These partnerships strengthen the Province's growth trajectory by promoting innovation, supporting emerging industries, and creating long-term opportunities for communities across the Western Cape.



The Summit secured six major investment commitments valued at **R50 billion** which is expected to generate **45 000** job opportunities over the next two decades. With more than 520 delegates in attendance, the event positioned the Western Cape as a leading investment destination and highlighted the Province's progress in key sectors such as green energy, agri-business, manufacturing, mechatronics, and boatbuilding. Projects showcased at the Summit formed part of a R400 billion investment pipeline aligned with the Province's growth priorities, including transformational initiatives like the Saldanha Bay green hydrogen project.

The Summit provided a dedicated platform for executing the G4J Strategy by promoting investor confidence, strengthening partnerships, and enabling deal-making. Government's role extends beyond the event itself, with the Western Cape now facilitating due diligence processes to ensure that commitments translate into tangible economic activity.

The Summit marks a significant step in advancing the G4J agenda. By fostering collaboration, enabling private-sector participation, and mobilising investment in catalytic projects, the Western Cape Government continues to build a strong foundation for sustained economic growth, job creation, and shared prosperity.

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

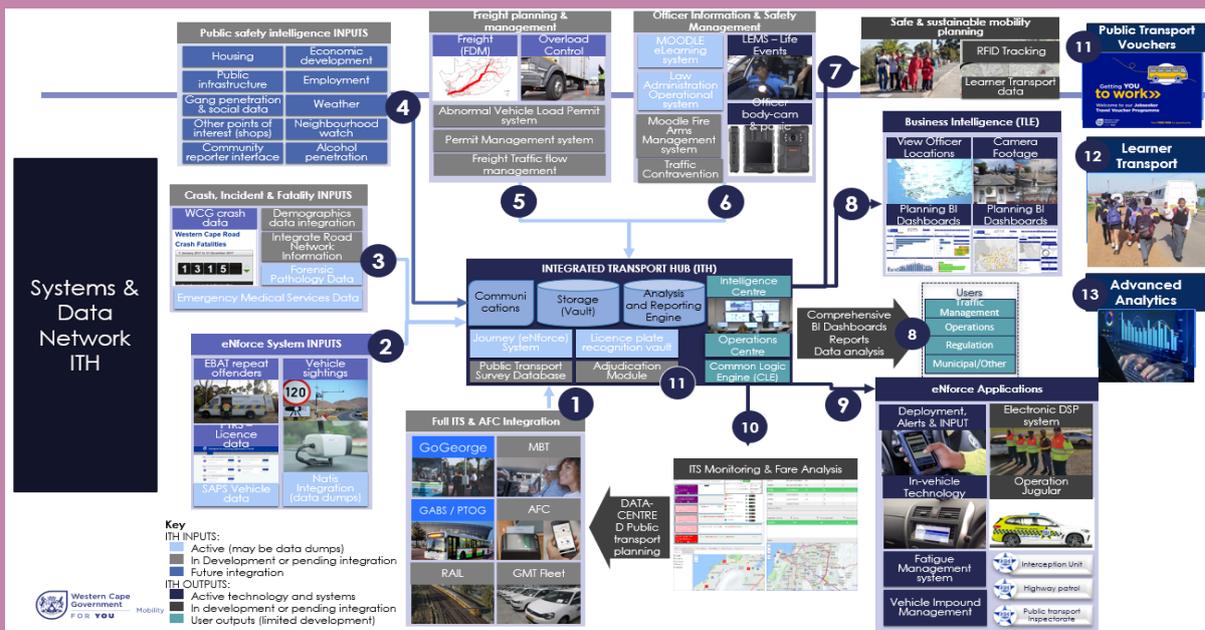
### The WCG’s Integrated Transport Hub (ITH): Turning mobility systems into one smart platform

The Western Cape’s Integrated Transport Hub (ITH) is a data-driven and innovative technology platform and repository that enables smarter transport regulation, more efficient enforcement, and safer services through integrated, real-time data. The centralised platform has already introduced more than 20 mobility improvement projects that link public transport monitoring, regulation, enforcement, and evidence-based decision-making.

Practical building blocks already exist in the Province. These include systems that monitor over 20 000 daily passenger trips on GO GEORGE, Red Dot emergency services supporting more than 300 000 nurse and patient trips, the Blue Dot Taxi behaviour monitoring system which resulted in a 50% reduction in speeding incidents for over 1 000 Mini-Bus Taxis, and law-enforcement handheld devices providing real-time information, licence plate recognition, and advanced data modelling. Together, these components feed a shared logic and information processing layer that enables improved mobility planning, oversight, and execution.

**Why it matters for policy priorities:** The ITH consolidates data across multiple platforms in a way that was not previously possible. This supports improved decision making, strengthens enforcement and commuter safety, and provides a robust evidence base for value for money decisions across the transport ecosystem (plan → implement → measure → refine).

**Link to São Paulo:** The approach mirrors leading global practice exemplified by São Paulo’s integrated network - where a control centre consolidates data from multiple sources (cameras, vehicles etc.). Like São Paulo, the ITH model prioritises real-time oversight using accurate data, and advanced modelling to help plan further improvement initiatives.



### Stimulating Market Growth through Exports and Domestic Markets

This priority aims to accelerate export growth and expand market access for Western Cape businesses. In 2024/25, the Export Competitiveness Enhancement Programme (ECEP) supported 15 companies with export readiness, packaging and labelling compliance, trademark assistance and alignment with international standards. DEDAT expanded export training through its online Export Training Platform, which provides accessible modules on export fundamentals and technical requirements. To strengthen market participation, district export seminars were

delivered across all districts in partnership with Wesgro, the Department of Agriculture, the Department of Trade, Industry and Competition (the dtic), development finance institutions (DFIs), business chambers, and municipalities, reaching 163 businesses. These initiatives contribute to building a more export-ready provincial economy and supporting firms to navigate regulatory processes and enter new markets.

DEDAT completed a needs assessment with 30 companies to identify opportunities for new or expanded exports. Recommendations from this process are being implemented through the Export Accelerator Programme in 2025/26.

Tourism market growth was supported through the G4J Tourism Challenge Fund, which funded restoration and development projects at ATKV Hartenbos, Leeu Dassenberg Estates, the Elgin Valley cycling trails and the expansion of bike tourism offerings in the Cape Winelands. These projects leveraged R5 million in extra-fiscal co-funding through using this alternative funding approach. Additional funding was also committed to the Hessequa Municipality to develop visitor infrastructure within its nature reserves and to upgrade facilities at the Point Discovery Centre in Mossel Bay.

Tourism skills development initiatives continued, including accredited service excellence training through the Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA), marine guide training and the Business of Guiding conference. Over 100 tourism businesses received training on DEDAT's disaster preparedness guide. DEDAT will continue to promote disaster risk reduction practices for destinations and tourism enterprises through training and online tools. In parallel, the Department of Cultural Affairs and Sport (DCAS) advanced its Events Strategy, which supports tourism market development by leveraging major events to drive visitor growth, stimulate local spending, and create opportunities for small businesses, thereby complementing DEDAT's tourism promotion efforts and strengthening the overall tourism value chain. DCAS supports 22 major events annually that creates between 60 000 and 90 000 direct and indirect jobs/work opportunities. Supported events include the Cape Town Cycle Tour, Cape Town Marathon, Cape Town Sevens Rugby, Cape Town Jazz Festival, and many others across the Province.

Destination marketing delivered through Wesgro continued to perform strongly. The Cape Town and Western Cape Convention Bureau secured bookings valued at more than R700 million. Cruise Cape Town recorded a historically strong season in 2023/24, contributing more than R1 billion to regional Gross Domestic Product (GDP) and supporting nearly 2 000 jobs. Air access development resulted in 27 airlines serving 31 destinations during the peak season. Cape Town Air Access secured three new international routes in 2024/25, enhancing global connectivity.

DoA's Veterinary Services programme plays a pivotal role in safeguarding animal health and maintaining rigorous biosecurity standards. Through regular disease surveillance, effective control measures, and diagnostic testing, this programme not only protects public health through thorough meat inspections but also supports agricultural trade by issuing 19 203 essential export certifications in 2024/25. DoA will issue on average 13 700 veterinary certificates per year over the 2026 MTEF. Notably, 13 044 veterinary intervention visits were conducted in 2024/25, and ongoing plans target over 12 300 visits per year throughout the 2026 MTEF, reflecting sustained commitment to animal health and sectoral integrity.

The DoI advanced skills development and enterprise support across the construction value chain in 2024/25. A total of 327 youth were enrolled in construction learnerships, while 186 apprentices participated in artisan training programmes, strengthening the pipeline of technical skills.

Contractor development initiatives were implemented across multiple CIDB grades and supported through compliance and information sessions that reached 310 emerging contractors. The Road Graduate Development Programme also continued to deliver professionalisation outcomes, with 5 candidates registering with the Engineering Council of South Africa (ECSA) and 5 new graduates entering the programme. The Masakh'iSizwe bursary programme supported 151 students, including 41 new recipients.

Building on this momentum, the DoI will expand its talent and enterprise development programmes in 2026/27. Planned targets include awarding 50 new Masakh'iSizwe bursaries and enrolling 40 participants in the Professional Development Programme. The Contractor Development Programme will provide 4 tailored interventions, reaching 120 contractors through the CIS/Expo platform, 40 through structured training, 40 through advanced training and mentoring, and 40 through customised support. In addition, the Department will host 3 empowerment initiatives and 2 capacity-development sessions. These efforts aim to strengthen technical capabilities, broaden participation, and enhance competitiveness within the provincial construction economy.

### **Energy Resilience and Transition to Net Zero Carbon**

Within the Energy Resilience Programme (ERP), which is a province wide initiative, DOI has projects focused on strengthening the electricity grid, enabling municipal wheeling, expanding small-scale embedded generation (SSEG), securing strategic land for energy projects, and supporting the medium- to long-term transition to alternative energy sources such as solar and wind. In 2024/25, progress advanced through the Stellenbosch Municipal IPP Procurement process, which entered the procurement phase with a Request for Proposals issued on 29 March 2025, bid submissions closed on 30 September 2025, and a Bid Evaluation Committee was established to finalise assessments by November 2025, clearing the way for contract award and financial close. The Municipal Energy Project Preparation Facility continued to build municipal project pipelines by completing George Municipality's readiness report, initiating the second phase of work in Swartland, and concluding the Saldanha Bay IPP tender.

Grid-readiness efforts progressed through the Transmission and Distribution Infrastructure Planning workstream, which completed grid-constraint mapping, convened 5 municipal workshops, and prepared a digital interface scheduled for publication in Q4 2025/26. Delivery capacity was strengthened through the appointment of seven engineering and project management specialists. Across its portfolio, the ERP delivers value for money by reducing idle funds, lowering lifecycle energy costs, applying early planning and pre-packaged processes to shorten contracting timelines, and crowding in private capital as grid readiness improves. These measures ensure that projects move efficiently toward commercial operation, building long-term energy security, supporting economic growth and jobs, and improving service continuity. Collectively, the programme's grid and transmission enablement enhances the Province's investment attractiveness and ensures that resources are channelled to projects that are ready to progress.

In 2024/25, Department of the Premier (DotP) coordinated provincial energy resilience work through expert staff seconded from DEDAT to DotP and DoI. Work began on Phase 1 of the Western Cape Just Energy Transition Investment Plan (JET IP), which aims to identify bankable projects and potential funding partners.

DEDAT also advanced industry support for carbon border tax regulations through the Carbon Border Adjustment Mechanism (CBAM) initiative. Awareness sessions were delivered across sectors, Phase 1 of the CBAM diagnostic toolkit was completed, and advisory support was provided in partnership with GreenCape and the Department of Environmental Affairs and Development Planning (DEA&DP).

The DEA&DP tracks Climate Change efforts against the Western Cape Climate Change Response Strategy and Implementation Plan. This work co-ordinates and tracks efforts across the Province and supports Municipalities by mainstreaming Climate Change into existing intergovernmental structures and platforms. DEA&DP is developing detailed climate change risk mapping and working closely with the DLG Disaster Risk Reduction team to enhance the regions' resilience to forecast shocks and stressors resulting from climate change.

### Progress in Western Cape Energy Resilience Programme (ERP)

Given the severity of the energy crisis in South Africa, the strategic objectives of the WC ERP are twofold: 1: To mitigate and manage energy-related disasters in the Western Cape and 2: To facilitate improved energy resilience in the Western Cape (secure, decarbonised, and affordable / financially sustainable).

To give effect to these objectives, a series of projects are being implemented over the short-, medium- and long-term with the scope, scale, and number of projects expected to change over time based on taking a data-driven and evidence-based approach.

#### Achievements to date:

Energy baseline (where we started)	Achievements (where we are now)	Where we are going (Target)
139 MW (2022) (small scale embedded generation)	819 MW <sup>1</sup> (2024/25)	Energy generated (non-Eskom and non-REIPPP) or private energy wheeled into the Western Cape will increase by <b>1 400 MW</b> by 2030

#### Disaster mitigation and management

**Loadshedding packs**  
Total distributed: 91 940

- Schools: 64 922
- DSD facilities: 14 018
- Neighbourhood watches and Community Policing Forums: 13 000

**Alternative Energy Support to SMMEs**

- 12 Trading Hubs supported
- 100 SMMEs supported
- Total output of systems: 193kW

#### Strategic planning and management

**Western Cape Integrated Resource Plan**

- Phase 1 Data collection completed by CSIR funded by USAID
- Technical Assistance for phase 2 secured from United Kingdom's Partnering for Accelerated Climate Transitions (UK PACT) Countries fund, through its Foreign, Commonwealth and Development Office (FCDO)

**Power Sector Reform**

- Continued engagement with key stakeholders to focus on understanding opportunities to benefit WC municipalities and role of WCG as energy landscape reforms and transitions

#### Demand Side Management

**Health Facilities**

- Energy Service Company (ESCO) shared savings contract
- 4 sites: 7 374 839 kWh saved; 17% of rand savings
- Savings on operational expenditure reinvested to provide healthcare services to patients

**Schools**

- Energy efficient lighting installed at 110 schools

**Municipal Demand Side Management / Energy Efficiency Support**

- 5 municipalities applied to be part of the Hot Water Load Control programme - part of Eskom's Distribution Demand Management Programme (DDMP) rebate
- Further support on DSM is planned through a service provider for which the procurement process is underway

#### Energy generation, procurement and trading

**Health Facilities:**

- Solar PV installed at 5 hospitals
- Hybrid invertors installed at 47 clinics and 1 Forensic Laboratory

**Schools**

- Solar PV installed at 90 schools
- Total output of systems: 4.7 MW

**WCG Buildings**

- Solar PV installed at 17 Buildings
- BESS installed at 3 buildings and 3 Child and Youth Care Centres

**Hessequa Municipality Solar PV**

- Construction 32% complete
- Completion date: August 2026

**Green Economy Energy Resilience (GEER)**

- 19 Municipalities supported
- 140 business engagements

**Stellenbosch Municipality Municipal Independent Power Producer Programme (MIPPP)**

- Procurement underway – bids close on 30 September

#### Maintenance and expansion of energy infrastructure

**Grid, transmission and distribution infrastructure upgrade planning**

- Transmission and distribution infrastructure mapped
- Engagements with municipalities to assess shortcomings

**Municipal Energy Resilience – Energy Grant to municipalities**

- Support to develop municipal Cost of Supply Studies (CoSS) provided to Knysna and Hessequa municipalities
- Support to develop Electricity Master Plans (EMP) provided to Oudtshoorn, Kannaland and Witzenberg municipalities
- Independent Power Procurement (IPP) preparation support provided to Prince Albert Municipality

#### Increased investment in the energy sector

**Energy Project Preparation Facility**

- Transaction Advisor/s appointed
- Actively providing technical, financial and legal services to: George, Saldanha Bay and Swartland Local Municipalities for Municipal IPP procurement

**Explore Gas Power**

- Demand side work completed in March 2024
- Supply side work completed in March 2025
- Position formally adopted by Cabinet in May 2025

**Just Energy Transition Investment Plan (JET IP)**

- First phase completed, priority projects being finalized

#### Enabling improved energy affordability

**New component**

- Scoping underway

#### Net-zero emissions province

**Provincial Greenhouse Gas Inventory completed**

**New Energy Vehicle Transition**

- Draft WCG NEV Strategy completed
- 65 Toyota Corolla Hybrid Vehicles procured
- Tender for Solar PV, Battery Energy Storage System and Electrical Vehicle Charging Station initiated

<sup>1</sup> Solar PV: GeoTerralmage (in collaboration with SAPVIA) installed capacity data – Release 2025

## Water Security and Resilience

The Water Resilience Programme, led by the Department of Local Government (DLG) in partnership with DEA&DP, Department of Water and Sanitation, municipalities, and private sector partners, is a cornerstone of the Province's long-term strategy to futureproof the Western Cape's water security and equitable access to water. The programme is guided by the Western Cape Water Resilience Strategy (2025 – 2035), which provides an integrated framework for safeguarding the Province's water resources against the combined pressures of climate change, population growth, urbanisation, and ecological degradation.

Anchored in the 2025 - 2030 PSP, the programme promotes a whole-of-society approach to ensuring resilience, sustainability, and equity in water management. It supports municipalities in closing the provincial water demand-supply gap, estimated at 140 million m<sup>3</sup>/a in 2025, through a combination of water conservation and demand management, diversification of water sources, and investment in resilient infrastructure and governance systems. Central to this effort is the strengthening of the Centre of Excellence for Water Resilience, which provides technical capacity, data analytics, and institutional support to municipalities to enable evidence-informed decision-making.

The DoA promotes sustainable use of natural resources through engineering and LandCare services in areas such as water, irrigation, mechanical, and structural support, as well as farm and area-wide planning. Strategic support is provided to the Lower Olifants River Water User Association (LORWUA), whose 278 km concrete canal is the only bulk water supply serving farms, industries, and towns in the Matzikama Municipality. This canal supports about 840 farms with 12 000 ha under irrigation. Ongoing preventative maintenance and construction work reduce water losses, minimise supply disruptions, and enhance the efficiency and sustainability of irrigation agriculture. The DEA&DP manages the Western Cape Estuary Management Programme which prioritises the implementation of the Breede Estuarine Management Plan, continues work on existing plans, and finalises new plans for the Groot Brak, Kleinbrak, Gourits, Maalgate, and Hartenbos estuaries. Efforts to safeguard river and estuarine health are demonstrated by DEA&DP monitoring 42 sites for pollution control in 2024/25, with a target to expand monitoring to 52 sites each year over the 2026 MTEF, reflecting a strong commitment to preserving these vital ecosystems.

Alien vegetation clearing continues to improve water security, restore biodiversity, and enhance land productivity. In 2024/25, the DoA cleared 23 074 hectares of invasive plants, significantly increasing water availability across the Province. The 2025/26 target is to clear 30 000 hectares, further strengthening ecosystem resilience and supporting sustainable resource use.

### Building Water Security for a Resilient Future

The Western Cape Government has launched its Water Resilience Strategy (2025 – 2035), a bold 10-year plan designed to secure the province's water future through sustainable management, innovation, and strong partnerships. The strategy aims to ensure that every household, farm, business, and ecosystem has reliable and equitable access to water. It reflects the Province's shift from crisis response to proactive, long-term planning in the face of droughts, floods, and growing climate risks.



The plan sets out ambitious targets for expanding and safeguarding water supply, including securing an additional 310 million cubic metres of water per year, conserving a further 40 million cubic metres through efficiency measures, and ensuring that all municipalities diversify their water sources. The strategy also prioritises reducing non-revenue water losses, improving municipal Blue Drop and Green Drop scores, and guaranteeing safe managed water access for all urban residents. These actions strengthen essential water systems while building resilience across communities.

Water security is also central to the Province's economic agenda. As a key enabler of the G4J vision, the strategy supports agriculture, protects jobs, and boosts investor confidence by ensuring that economic activity can continue even under challenging conditions. By safeguarding water resources, the Western Cape positions itself for sustainable growth and improved wellbeing.

The strategy is built on four key pillars: conserving and managing demand, augmenting supply through reuse and desalination, strengthening infrastructure, and improving governance across all spheres of government. These pillars reflect a commitment to dignity, resilience, and shared prosperity. By investing in secure and sustainable water systems, the Western Cape Government is building a stronger province where communities and businesses can thrive.

Source: *Western Cape Department of Local Government*

### Technology and Innovation

This priority focuses on building a competitive technology ecosystem and strengthening innovation capacity. In 2024/25, DEDAT supported ten businesses through the Business Technology and Innovation Support Programme, which funded hardware, software and digital innovation upgrades. Significant progress was made in developing a regulatory sandbox for drones and Unmanned Aerial Vehicles (UAVs), supported by national community of practice engagements and a multidisciplinary steering committee. The next phase of the Western Cape Drones/Unmanned Aircraft System (UAS) Regulatory Sandbox will establish the institutional, regulatory and operational foundations required for implementation. This includes formalising a collaborative Task Force to coordinate all stakeholders and addressing overarching national airspace issues that are critical to enabling safe and compliant drone operations. Further work will focus on integrating exemptions and alternative means of compliance to support innovation within a controlled environment. In parallel, the Province will create a dedicated Sandbox Experimental Test Flight Authority to oversee testing activities and introduce a structured UAS management framework for sandbox operations. The final phase will involve developing an integration and commercialisation pathway to support market entry for drone technologies tested within the sandbox, ensuring long-term economic and innovation benefits for the Western Cape.

DEDAT advanced ecosystem research through the Technology and Innovation Market Intelligence Study, which covers 12 high-potential industries and 9 emerging technologies. The study will provide recommendations for sector growth and competitiveness in 2025/26. The Department also strengthened collaboration with the Technology Transfer Offices (TTOs) of the Western Cape's 4 universities to enhance research commercialisation pathways and expand innovation support for SMMEs.

DEDAT continued to promote digital skills development through technology career awareness programmes, specialist tech skills pathways and graduate conversion initiatives. In 2024/25 the department submitted 4 'Technology & Innovation' regulatory improvements and supported 4 ecosystems with strengthening initiatives. The Digital Economy Unit also supported transversal projects across WCED, DotP and Wesgro.

DoA's Research and Technology Development Services programme supports industry-driven research aimed at addressing key agricultural challenges, including climate change, agro-processing, and product quality improvement. Collaboration through research forums and strategic partnerships ensures that research remains relevant and responsive to sector priorities. Guided by the SmartAgri Plan (2016), the Department works closely with institutions such as Stellenbosch University and the Mediterranean Climate Action Partnership to enhance research capacity and agricultural resilience. Within the Programme, a total of 19 scientific papers were published in 2024/25, with a target of 20 publications per year over the 2026 Medium Term Expenditure Framework period.

### Western Cape Drones/Unmanned Aircraft Systems (UAS) Regulatory Sandbox

The Western Cape is positioning itself as a continental leader in emerging aviation technologies through the development of a Drones/UAS Regulatory Sandbox. This initiative supports the G4J Strategy by leveraging technology and innovation as key drivers of economic growth, competitiveness, and job creation.



A Regulatory Sandbox enables government and regulators to test new technologies, products, or business models in a controlled environment to generate evidence on their impacts, potential risks, and market readiness. This approach allows innovative solutions to reach the marketplace more efficiently while informing regulatory reform and enabling a more supportive business environment.

Significant progress has been made in establishing the Western Cape's drones/UAS sandbox. The Department is nationally recognised for leading this pioneering work, convening three community of practice engagements and developing a comprehensive business case through a multidisciplinary steering committee. The sandbox design includes regulatory, technical, operational, and economic components to position the Western Cape as a competitive global hub for drone technology.

Once operational, the sandbox will serve as a first-of-its-kind platform in Africa, unlocking investment in research and development, manufacturing and components, and drone-enabled mobility and logistics solutions. It is expected to stimulate new businesses, expand export opportunities, and build specialised skills, contributing to job creation and long-term economic growth in the province.

Source: *Department of Economic Development and Tourism*

## Infrastructure and the Connected Economy

The Dol is in the final stages of establishing the first province-wide infrastructure pipeline, encompassing municipal, provincial, national, and private sector projects. This pipeline is guided by the Western Cape Infrastructure Framework (WCIF) and strategy and will be executed through the Western Cape Infrastructure Implementation Plan (WCIIIP). This area aims to improve infrastructure efficiency, enhance regulatory systems and strengthen the enabling environment for economic activity.

In 2024/25, the Ease of Doing Business (EoDB) programme supported improvements to development permitting and regulatory processes. The Business Support Helpline logged 243 cases with an 87 per cent resolution rate. Dol also implemented process optimisation projects with municipalities, including improvements to building-plan approvals and land-use management.

The Dol's road projects and development pipeline are critical to creating a more connected and integrated economy. In 2024/25, Dol completed or made significant progress on several road projects. These include the MR533 St Helena Bay to Stompneus Bay upgrade, the Hemel-en-Aarde works, various flood repair projects, and scheduled maintenance activities. In addition, Phase 1 of the Northern Growth Corridor (the N7 Potsdam to Melkbos upgrade) began, and construction on the George Western Bypass continued. Forward-looking plans include the Malmesbury Bypass, Cape Town Integrator–Northern Growth Corridor, R300 extension and other strategic upgrades.

The Department of Health and Wellness (DHW) uses capital investment as an economic stimulus and enabler of service delivery. Through Health Facilities Management, the DHW plans, builds, and maintains health facilities that drive local economic activity and create employment opportunities. Over the medium term, 3 major catalytic projects i.e., the Tygerberg Central Hospital, Belhar (Tygerberg) Regional Hospital, and Klipfontein Regional Hospital, will serve as anchors for both improved health access and local economic development. The new central hospital will be delivered through a Public-Private Partnership (PPP) model, ensuring sustainable and efficient infrastructure delivery. Furthermore, investments in photovoltaic (PV) energy systems across provincial health facilities will reduce operational costs, strengthen energy resilience, and promote environmental sustainability.

Education infrastructure in the Western Cape is delivered through the Infrastructure Development Programme, which is the primary mechanism for ensuring adequate, safe, and quality learning environments across the province. The programme supports system-wide improvements by delivering new schools, expanding existing facilities, upgrading services, and ensuring the ongoing maintenance of school infrastructure. These investments respond directly to enrolment pressures, spatial growth patterns, and the need to improve equity of access across communities. Six new schools were completed in 2024/25: Blue Ridge Primary Phase 1, Darling High, Vuyiseka High No. 2, Leiden Junior High, Blue Downs High, and Happy Valley Primary No. 2, along with one replacement school, Waveren Primary. In addition, a total of 504 new classrooms were delivered, which includes those built as part of the new schools, as well as additional mobile and expansion classrooms completed earlier than expected.

The WCMD has several initiatives in this focus area. However, commuter rail restoration remained a top focus, with a draft PRASA information-sharing MoU prepared and park-and-ride opportunities identified to shift demand back to rail. GABS continued to anchor Cape Town's bus network, running approximately 230 000 weekday passenger trips across about 1 618 routes despite cost and subsidy pressures. Go George marked its 10-year milestone with 6.1 million trips

in 2024/25, an average of more than 21 100 weekday trips (peaking at 21 500), 133 buses in service, and more than 90 per cent satisfaction, while Phase 4A rollout progressed. Forward-looking plans include completing Thembalethu routes, then extending to Victoria Bay, Wilderness, Herold's Bay and George Airport, and preparing for a new operator contract by December 2026. From a value for money perspective, Go George continues to demonstrate effectiveness with a large and positive social impact for the residents of George by significantly increasing economic access and inclusion.

DEDAT and DEA&DP facilitated a strategic biodiversity offset initiative for the Aalwyndal development in Mossel Bay. This work facilitates environmental compliance and is expected to streamline future development approvals while enabling a major residential and commercial development pipeline that could stimulate investment in the region.

The Ecological Infrastructure (EI) projects already underway are transforming ecosystems and empowering communities. By clearing invasive species, installing fencing, improving stock-water systems, creating firebreaks, and undertaking crucial rehabilitation, these initiatives restore and enhance ecosystem services to ensure a resilient environment for all. Further the value chains associated with this investment provide significant work opportunity potential, including in the biomass sector as part of the Just Energy Transition. However, the interventions remain under-funded resulting in the exacerbation of the critical risks of water security, wildfire, flooding and land-degradation. These risks continue to reduce the resilience of the Western Cape's built infrastructure and human settlements and increase the likelihood of increasing impact of disasters and escalating costs of disaster recovery.

### **Improved Access to Employability and Economic Opportunities**

DEDAT aims to improve employability and strengthen economic participation pathways for residents. In the 2024/25 financial year, DEDAT expanded partnerships between schools, post-school institutions and industry to align curricula with labour market needs. Six training modalities were refined to new/amended curricula to align to industry needs. This included initiatives to enhance the delivery of Life Orientation, Information and Communications Technology (ICT), and technical subjects, supported by Sector Education and Training Authorities (SETAs) and private sector partners. Partnerships with Technical and Vocational Education and Training (TVET) colleges and Community Education and Training (CET) colleges broadened access to market-aligned skills programmes in rural areas and enabled the introduction of digital-based training models.

DEDAT continues to strengthen international collaboration through a partnership with Bildungswerk der Bayerischen Wirtschaft (BBW), which supported lecturer training in digital literacy and teaching methodologies. This partnership also secured opportunities for Western Cape graduates to gain work exposure in Germany from 2025. More than 2 900 unemployed youth received workplace experience and accredited training in sectors such as Business Process Outsourcing (BPO), hospitality, clothing and textiles, last mile delivery, and technology. These interventions support high absorption rates, with most participants expected to transition into contract or permanent employment.

In 2024/25, DEDAT also expanded work to strengthen entrepreneurship pathways. The Small, Medium and Micro Enterprise (SMME) Booster Fund supported 7 organisations assisting enterprises across the province. A partnership with the Johannesburg Stock Exchange (JSE) focused on funding readiness, capital matching, and business acceleration. Supplier development interventions with the Department of Infrastructure supported compliance improvements in the

construction and engineering sectors. Various awareness initiatives were rolled out, including Supplier Open Days, contractor development workshops, youth entrepreneurship sessions, and women in business events. The training workshops were hosted in Stellenbosch, Caledon, Saldanha Bay and the City of Cape Town. Support to entrepreneurship centres at the University of the Western Cape and Northlink TVET College strengthened the pipeline for student entrepreneurs.

Over the 2026 MTEF, DEDAT will shift toward a more systemic and ecosystem-strengthening agenda, focusing on improving employability and entrepreneurship through coordinated public and private sector partnerships. It will lead and facilitate key engagement structures including the Premier's Council on Skills, SETA forums, and partnerships with TVETs, higher education institutions, industry, and municipalities to refine training modalities, address skills gaps, and align education pathways with labour market demand. This forward-looking work aims to co-design curricula, expand work-integrated learning, introduce innovative models such as micro certification, enhance digital and entrepreneurial competencies, and strengthen the post schooling ecosystem to improve access, throughput, and readiness for employment. A demand analysis during 2025/26 will inform scalable new training models and alternative post schooling pathways, ensuring that skills development interventions under the MTEF are responsive to industry needs and aligned with the themes of G4J Priority Focus Area 7.

The Department of Police Oversight and Community Safety (DPOCS) contributes to the G4J apex priority by strengthening the foundations of safety, human capital, and economic confidence. Through initiatives such as the Chrysalis Academy and the Expanded Public Works Programme (EPWP), DPOCS equips young people with life and workplace skills, facilitating their transition to the labour market. The Department co-leads the 10 000 Basic Skills Opportunities catalytic project with DEDAT to support unemployed youth and reduce gangsterism. During 2024/25, DPOCS created 837 youth work opportunities and enabled 682 Chrysalis Academy graduates, with 186 trained as Peace Officers. Over the medium term, the DPOCS aims to scale youth employment programmes, to contribute towards the overall outcomes of this focus area.

DoA continues to prioritise youth development and skills advancement through agricultural education and training initiatives. During 2024/25, a total of 213 interns were provided with workplace experience opportunities, while plans for the 2026 MTEF period target 170 interns each year. Furthermore, the bursary programmes supported 104 youth and employees pursuing studies in agricultural fields in 2024/25, with 45 beneficiaries planned annually over the 2026 MTEF.

Township Action Plans (TAP) are designed to unlock economic opportunity in targeted areas. This involves establishing governance structures, engaging stakeholders, and developing evidence-based plans. DEA&DP will support the procurement of specialist economic and planning expertise, with project outputs focused on the establishment of methodology, core area selection, and the full roll-out of the pilot TAP.

The Elsenburg Agricultural Training Institute, established in 1898, is South Africa's oldest agricultural education centre. It offers accredited degrees, diplomas, and short courses in animal and plant production, agribusiness, cellar technology, equine studies, and extension services. The Institute blends practical farm experience with academic learning and annually graduates skilled professionals, supporting both commercial and emerging farmers in the Western Cape. In 2024/25, 137 students graduated, and the Department has set an annual target of 80 graduates for each year over the 2026 MTEF to continue supporting skilled workforce development in agriculture.

The Department of Social Development's (DSD) Community Nutrition and Development Centres (CNDCs) and funded feeding sites contribute to the flagship intervention, Stimulate the Township Economy. A value for money lens is achieved through the dual function of CNDCs, which provide essential cooked meals alongside developmental programmatic interventions (such as training, skills development, and income-generating projects) designed to promote self-reliance and achieve sustainable livelihoods. In the 2024/25, 22 128 vulnerable people received subsidised meals through CNDCs and funded feeding sites. Specific targets for the 2026 MTEF include providing subsidised meals to 14 000 vulnerable people.

The Western Cape Education Department's (WCED) strengthening career guidance intervention involves expanding career clubs and work exposure opportunities for learners. It addresses the strategic challenge of weak employability and subject choices among learners. Effective career guidance is seen as crucial for addressing the skills mismatch identified in the economic environment. During 2024/25, the Department demonstrated its commitment to career guidance by launching Career Clubs across districts and circuits, extending to 133 schools. These clubs support learners to explore career pathways, improve subject-choice decision-making, and strengthen alignment with Life Orientation curricula. The overall objective is for all schools to have career clubs. The WCED plans to reform Career Guidance and Life Orientation by strengthening curricula and connecting learners to employers.

The Expanding Schools of Specialisation and Improve Post School Pathways programme aims to scale Academic, Technical and Vocational schools and improve articulation from school to work. It addresses the challenge of enhancing post-school pathways by preparing youth for further studies and the world of work beyond Grade 9. The required pathways to support this include expanding focus schools and building partnerships with TVETs and Higher Education Institutions (HEIs). During 2024/25, 2 765 Grade 12 learners enrolled in at least one technical or agricultural subject. The expansion of Schools of Specialisation and Collaboration Schools (public schools supported through formal, non-profit organisations for additional support and management flexibility) aims to improve school performance and support quality education and skills pathways.

The DHW supports the objective of Improved Access to Employability and Economic Opportunities by strengthening the provincial health workforce and serving as a direct source of employment. This is primarily driven through Health Sciences and Training, which develops a pipeline of skilled health professionals through bursaries and training opportunities. The programme focuses on addressing scarce and critical skills by expanding bursary support at both undergraduate and postgraduate levels, with the number of bursaries projected to reach 1 650 by 2027/28. In addition, the DHW contributes to job creation through the Expanded Public Works Programme (EPWP) Integrated Grant, employing 44 individuals and creating 41 Full-Time Equivalents (FTEs) in 2024/25, while also supporting 100 Emergency Care Officers through the Social Sector EPWP Incentive Grant. These initiatives not only address workforce shortages but also improve health system performance, enhance productivity, and advance the Province's growth and employment agenda.

The Department of Cultural Affairs and Sport (DCAS) supports the G4J Strategy through skills development, educational support via libraries and after school programmes, and initiatives in the cultural and creative sectors. Programmes like Young Creatives and YearBeyond (further described in the Safety portfolio) offer workshops and mentorship, aiding career development. DCAS also promotes the informal economy by creating opportunities for SMME's at events. Its sports initiatives foster community health and economic inclusion, while investments in major

events drive tourism, job creation, and investment, advancing the Western Cape's economic goals.

The WCMD's Jobseeker Travel Voucher Programme delivered strong outcomes: over 90 per cent of participants reported benefits and 49 per cent of voucher users reported finding employment. The pilot offered each participant 12 free off-peak GABS rides for interviews. From the February – March 2024 pilot (116 beneficiaries, 29 gold cards, 147 trips), the programme scaled to 5 968 beneficiaries, 2 338 gold cards, and 7 547 trips in 2024/25, and following the June 2025 self-enrolment expansion, added a further 9 671 beneficiaries, 3 699 gold cards and 13 161 trips by October 2025. To date, a total of 15 755 beneficiaries has been registered, 6 066 gold cards have been issued, and 20 858 trips have been taken. Of particular interest are the top five routes taken by beneficiaries:

1. Khayelitsha to CBD 2 666;
2. CBD to Khayelitsha 1 920;
3. Mitchells Plain to CBD 905;
4. CBD to Mitchell's Plain 887; and
5. Bellville to CBD 721.

Based on these results, the programme has been extended to March 2026.

### Impact of the Growth for Jobs (G4J) Strategy

The Growth for Jobs (G4J) Strategy, launched in April 2023, aims to position the Western Cape as South Africa's fastest-growing provincial economy (R1 trillion) by unlocking private-sector-led growth, accelerating investment, and creating additional jobs by 2035.

Two and a half years into implementation, early indicators show positive but uneven progress. GDP growth and employment have strengthened, business confidence has improved, and exports are rising, incremental improvements at the Port of Cape Town, while structural challenges remain in fixed investment and youth participation in the economy.

It is important to note that the indicators tracked through the Impact Pulse<sup>1</sup> are transversal in nature. This means they are shaped not only by interventions across multiple Priority Focus Areas of the G4J Strategy, but also by broader external factors such as national policy, global economic conditions, and structural shifts in the economy. As a result, these measures should not be interpreted as the direct impact of G4J alone, but rather as signals of how the Provincial economy is performing in a wider context where WCG interventions are one of several influences.

Indicator	Where we started	Where we are now	Where we are going (Target)
<b>GDP Growth</b>	-1.4% (2022 Q4)	1.3% y-o-y (2025 Q2)	Target 2.5-3% by 2030; modest early acceleration
<b>Value of GDP</b>	R655 bn (2022 Q4)	R674.4 bn (2025 Q2)	R770 - R800 bn by 2030
<b>Employment</b>	2 596 000 (2022 Q4)	2 814 000 (2025Q3)	+220k–300k net new jobs by 2030
<b>Unemployment Rate</b>	22.5% (2022 Q4)	19.7% (2025 Q3)	Lower than baseline
<b>Youth NEETs</b>	766 708 (2022 Q4)	790 536 (2025 Q2)	Substantive improvement
<b>Youth Unemployment</b>	32.9% (2022 Q4)	30.9% (2025 Q2)	Substantive improvement
<b>Value of Exports</b>	R43.1 bn (2022 Q4)	R64.1 bn (2025 Q3)	Between R290 billion and R320 billion by 2030
<b>Total Cargo through Ports</b>	12 657 160 tons (2022 Q4)	16 437 616 tons (2025 Q2)	Positive annual growth
<b>Targeted Sector GVA Growth</b>	-2.1% (2022 Q4)	0.95% (2025 Q2)	1.5% growth p.a. average growth by 2030
<b>Business Confidence Index</b>	34 points (2022 Q4)	45 points (2025 Q3)	≥ 50 index points
<b>Number of SMMEs</b>	331 993 (2023 Q4)	404 394 (2025 Q2)	Steady positive annual growth
<b>Value of Building Plans Completed</b>	R5.7 bn (2022 Q4)	R4.2 bn (2025 Q2)	Steady positive annual growth
<b>GFCF as % of GDP</b>	13.1% (2022)	13.1% (2024)	Higher than baseline
<b>GDP per Capita</b>	R91 261 (2022)	R89 578 (2024)	Constant. GDP growth needs to exceed population growth
<b>Multi-factor Productivity Index</b>	103.1 (2022)	102.3 (2024)	Steady positive annual growth
<b>Business R&amp;D Spend as % of GDP (BERD)</b>	0.53% (2022/23)	0.56% (2023/24)	Consistent positive annual growth
<b>Trust in Government (National)</b>	26% (2022)	36% (2025)	≥ 60% (indicates trust)
<b>Blue Drop Rating</b>	89% (2014)	69.34% (2023)	Steady positive improvement
<b>Green House Gas Emissions per R' million GDP</b>	72 tCO <sub>2</sub> e (2021)	56 tCO <sub>2</sub> e (2022)	CO <sub>2</sub> e emissions per GDP reduced by 10% by 2030
<b>Solar PV - total estimated installed capacity for systems less than 1MW</b>	536 MW (2023/24)	819 MW 2024/25	Steady positive annual growth

Source: Western Cape Department of Economic Development and Tourism

The outcome indicators and targets presented are indicative and may be refined further as the PSIP is finalised.

Early outcomes suggest that the G4J Strategy is beginning to shift the trajectory of the Western Cape economy but given the transversal nature of the Impact Pulse indicators, progress should be seen as the result of both provincial interventions and broader economic dynamics.

<sup>1</sup> The "Impact Pulse" is a tool that tracks big-picture economic indicators, like GDP and jobs. These indicators are influenced by many factors, not just provincial programmes, and are updated as new data becomes available.

## ■ Portfolio 2: Safety

The Safety Portfolio advances the WCG's commitment to create safe, stable, and resilient communities. Rising violence, social fragmentation, substance abuse, and mental health challenges continue to undermine safety and weaken the social foundations required for economic growth and wellbeing. Recognising that safety is essential for flourishing communities and thriving businesses, the Safety Portfolio brings together law enforcement, violence prevention, community empowerment, and collaborative governance.

This portfolio builds on the Western Cape Safety Plan, which combines targeted enforcement with long-term violence prevention. It distinguishes between immediate violence reduction and sustained violence prevention, ensuring that the root causes of crime including poverty, trauma, family instability, and substance harms are addressed alongside policing.

By grounding its work in data-driven decision-making, whole-of-society approaches, and strong partnerships with municipalities and communities, the Safety Portfolio aims to create safe public spaces, protect infrastructure, prevent violence before it occurs, and foster trust in law enforcement. These efforts enhance the stability of local economies, attract investment, and support job creation by ensuring that residents and businesses can operate in secure and supportive environments.

### Integrated Violence Prevention

DPOCS contributes significantly to the Integrated Violence Prevention focus area, jointly led by the DHW and DSD. The focus is on fostering positive youth behaviours, mitigating substance abuse, and reducing interpersonal violence through coordinated, preventative approaches. Key interventions are DPOCS's Street Mentor Programme, Youth Safety Social Media Influencers Programme and its strategic partnership with the Chrysalis Academy, which empowers vulnerable youth through personal development, resilience building, and skills training. Graduates are supported through employment pathways such as the Expanded Public Works Programme (EPWP), providing alternatives to gangsterism and contributing to long-term safety and social inclusion. Over the 2025 – 2030 period, DPOCS aims to sustain empowerment opportunities for approximately 5 800 vulnerable individuals.

Through the Western Cape Liquor Authority (WCLA), DPOCS exercises regulatory oversight that balances economic opportunity with public health priorities. The ongoing review of the Western Cape Liquor Act (2008) seeks to strengthen alcohol harm reduction measures while supporting sustainable industry development. Complementary social crime prevention programmes, such as emotional literacy training, behavioural-support programmes, education and awareness initiatives on alcohol abuse, which target children, youth, women, and men and boys, addressing underlying causes of violence and trauma. In 2024/25, the WCLA strengthened its enforcement, operations, and governance, achieving full inspection coverage of licensed premises, improved compliance, and a 53 per cent decline in fines, reflecting behavioural change among license holders. Enhanced inspectorate capacity enabled targeted enforcement and the introduction of a non-automatic renewal process to incentivise responsible trading. Operational efficiency improved through timely licensing decisions, closer collaboration with SAPS and municipalities, and data-driven compliance monitoring. Over the medium term, the WCLA will deepen its regulatory impact by focusing on harm prevention, stronger community engagement, risk-based inspections, and efficient tribunal processes. Financial sustainability will be advanced through a Differentiated Pricing Model and legislative review, while digital transformation, including an e-portal and ICT strategy, will enhance accessibility and efficiency.

DPOCS applies an evidence-driven approach to safety and resource planning, aligned to this focus area. In 2024/25, the DPOCS produced the Policing Needs and Priorities (PNP) Report, utilised Forensic Pathology Services (FPS) data for homicide trend analysis, and advanced technical groundwork for the Provincial Safety Coordination Centre (PSCC). Over the medium term, the PSCC will function as the central intelligence hub for safety analytics, supporting predictive modelling and data-driven decision-making, while joint research with the Civilian Secretariat for Police Service (CSPS) will inform the next generation of violence prevention strategies.

The WCED's contribution to the Safety portfolio focus areas are through Integrated Violence Prevention and promoting safe school environments. This vertical alignment necessitates forging strong horizontal and vertical integration of interventions across various agencies and municipalities. The WCED funded 64 School Resource Officers (SROs) in 2024/25 and 82 in 2025/26. In 2024/25 they funded 36 SROs at 18 schools and co-funded 28 SROs at 14 schools, often operating within the Area-Based Teams approach. School Resource Officers play a preventative and protective role by supporting discipline, promoting safety, building relationships with learners, and helping to stabilise the school environment. The WCED's Safe Schools Programme implements environmental, developmental, and systems-level interventions to ensure safe and supportive learning environments.

The Family Strengthening intervention is a core component of the Integrated Violence Prevention strategy. It is specifically aimed at increasing the capacity of families to foster nurturing and supportive relationships, thereby reducing interpersonal violence within households. DSD leads this initiative, ensuring alignment with the 2025 - 2030 PSP Safety Portfolio Outcome of improving family relations to protect against victimisation and perpetration of violence. Performance data shows that in 2024/25, 26 460 families participated in family preservation and support services. Investing in stronger family units provides a preventative measure against future violence and improves the long-term life chances of individual family members, mitigating the social costs associated with family breakdown. For the 2026 MTEF, the focus is on implementing evidence-informed parenting programmes and support services tailored to the Western Cape context. The specific target set for each financial year over the 2026 MTEF is for 19 200 families to participate in family preservation and support services.

The DHW co-leads the Safety Portfolio by employing a public health approach to address the impact of trauma from interpersonal violence. Over the medium term, the DHW will focus interventions on Integrated Violence Prevention, using the Cardiff Public Health Model and enhancing trauma response services through Area-Based Teams (ABTs), which operationalise the Whole of Society Approach (WoSA). These efforts are designed to achieve the focus area outcome that families and communities cultivate strong relationships, positive youth behaviours, and mitigate alcohol and substance-related harms, thereby preventing violence. The establishment of the Violence Prevention Unit (VPU) within DHW is key to this commitment, which aligns with Sustainable Development Goal 3 (SDG 3)<sup>1</sup>. Significant progress has been made in establishing an evidence base for interventions, highlighted by the successful implementation and completion of the Planet Youth Survey. This data is essential for achieving the long-term goal of institutionalising evidence-based policies by using the Planet Youth findings to inform multisectoral policy and programmatic responses. The DHW's value for money contribution in the Safety portfolio is intrinsically linked to allocative and productive efficiency, achieved by investing funds in prevention strategies. These interventions aim to reduce the overall trauma burden on

<sup>1</sup> Ensure healthy lives and promote well-being for all, at all ages.

the healthcare system, which directly translates into savings in downstream acute care costs and improves overall safety outcomes within communities.

### **Safe and Secure Communities and Infrastructure**

The DSD is a crucial partner in the collaborative Planet Youth prevention framework, aimed at reducing youth substance use and mitigating risky behaviours through the strengthening of protective environments in the home, school, and community. DSD integrates its specialised youth services to empower young people with the necessary skills for a successful transition into adulthood. The Department supports the initiative primarily through its youth development and early intervention services, which focuses on positive social behaviour programmes. Significant target achievements for the 2024/25 financial year included serving 14 856 youth through skills development programmes and ensuring the operational capacity of 12 funded Youth Cafés. Furthermore, DSD provided 4 833 service users with early intervention services for substance use disorder (SUD), addressing a key pillar of the Planet Youth mandate. Looking ahead over the 2026 MTEF, DSD has planned consistent support for youth agency and preparedness. The annual target for youth participating in skills development programmes is set at 8 000 for each year of the MTEF. DSD also plans to maintain 12 funded Youth Cafés in 2026/27, transitioning to 11 funded facilities in both 2027/28 and 2028/29. Complementary preventative efforts in SUD early intervention are targeted at 3 980 service users in 2026/27, rising to 4 078 in 2027/28, and concluding the MTEF period at 4 122 service users in 2028/29.

To strengthen community safety, DPOCS continues to build the capacity of local safety structures by accrediting and supporting Neighbourhood Watches (NHWs), exceeding its 2024/25 target with 259 NHWs accredited, and implementing the Community-Level Growth and Resilience Programme pilot in Mitchell's Plain to advance integrated, area-based safety planning. Implementing the CGRP in selected high-priority communities seeks to close the gap in fragmented efforts by co-creating tailored Growth and Resilience Plans for each community and establishing a dedicated, representative and accountable governance structure within that community. Each structure will lead integrated planning, coordination, and oversight of all safety and development interventions locally, ensuring that actions are context-specific and responsive to community needs. Institutional resilience across the WCG is further enhanced through security maturity assessments, ensuring improved protection of public infrastructure and assets. Additionally, the Security Risk Management Programme enhances the Province's capacity to safeguard critical infrastructure, targeting a maturity improvement from Level 1 to Level 3 by 2030 through department-level security assessments.

As part of the Province's efforts to improve safety through strengthening the social protective factors against violence, DCAS will focus on preventing youth from engaging in criminal activities by engaging them in After School Programmes (reaching approximately 60 000 learners), with a particular focus on reducing the risks of: falling behind academically through the YearBeyond literacy and mathematics catch-up programme targeting grades 3 and 4; absenteeism and anti-social behaviour through walking buses, parental workshops, active afterschool activities, sport and arts clubs and connections to positive peer groupings; by creating opportunities for marginalised youth to be part of programming; providing opportunities for building young people's skills in alternative ways of engaging and dealing with conflict and anger via Shukuma and YearBeyond; and utilising schools and community-based centres as safe spaces for communities during and after school hours. (i.e., Recreation, MOD Programme and Neighbouring School Centres, as well as shared facilities).

In 2024/25 the WCMD intensified its “Safely Home” campaigns and expanded traffic law-enforcement operations (including 1 523 blitzes), alongside new Highway Patrol and PTI units with the CoCT and technologies such as Average Speed Over Distance and automated number-plate recognition. Fatalities fell by 15.5 per cent, with pedestrian deaths declining after hotspot interventions, and compliance improved (about 973 speed operations and 1 045 DUI arrests). Looking ahead, the initiative stays aimed at halving road fatalities by 2030 by targeting driver behaviour, vehicle compliance and vulnerable road users, while sustaining multi-agency operations and value for money enforcement. From a value for money perspective this initiative has been highly effective as it has had a strong impact per Rand: each percentage drop in fatalities saves lives and societal costs and therefore continuing these interventions is high value for money. In line with this the WCMD sustained a 24/7 traffic-law-enforcement model and strengthened taxi-industry dispute resolution with the City and SANTACO; the PRE exceeded its 120-day hearing plan to expedite legal operating licences and cut turnaround times well below the 60-day norm. The next steps over the MTEF include continued regulatory efficiency, data-driven enforcement via the ITH, and proactive MBT co-existence in George.

The WCMD has significantly progressed its work on minibus taxi stabilisation and professionalisation through the Shayela Smart programme. In 2024/25 the Shayela Smart concept and business plan were substantially developed, with initial interventions defined, including vehicle trackers, operator branding, driver registration and training, and capacity relief at interchanges. The Department also continued a conflict-mitigation approach that combines enforcement, sustained engagement with industry, and professionalisation measures.

### **Effective and Responsive Law Enforcement**

To strengthen law enforcement capability and accountability to ensure equitable resource distribution, community trust, and effective crime reduction, DPOCS leads interventions addressing key drivers of violent crime, such as extortion, gangsterism, and firearm-related violence, through evidence-based deployment and partnerships. The Law Enforcement Advancement Plan (LEAP), co-funded with the City of Cape Town, continues to achieve measurable impact in high-crime precincts through data-driven policing guided by forensic and crime data. There are over 1 000 trained officers, including Learner Law Enforcement Officers (LLEOs), who undergo 77 days of intensive training in peacekeeping, traffic control, firearm use, and tactical operations. To maximise impact, LEAP's deployment areas were streamlined in September 2024 from 13 to 6 high-priority zones identified through data-driven analysis, these hotspot areas include, Delft, Gugulethu, Khayelitsha, Mitchells Plain, Nyanga, and Philippi East, where officers are strategically positioned to reduce violent crime. LEAP areas have recorded sustained reductions in murder rates, outperforming provincial averages<sup>2</sup>.

Rural safety is enhanced through support for K-9 Units, Rural LEAP Units, and Peace Officer training for municipal law enforcement personnel. Over the 2026 MTEF, LEAP will evolve from an intervention initiative into a sustained provincial law enforcement capacity tool, strengthening safety across both urban and rural municipalities. The strategy prioritises maintaining municipal law enforcement support in at least 25 municipalities (up from 4), expanding reach through the creation of a Rural LEAP Unit for rapid crime response in the West Coast, Overberg, and Garden Route Districts. LEAP will also deepen strategic partnerships under the Justice, Crime, Peace and Security (JCPS) cluster, supporting K-9 and Reaction Units and the deployment of Peace Officers.

<sup>2</sup> See the 2025 Provincial Economic Review and Outlook (PERO) for more detail on LEAP's performance, page 168 – 169.

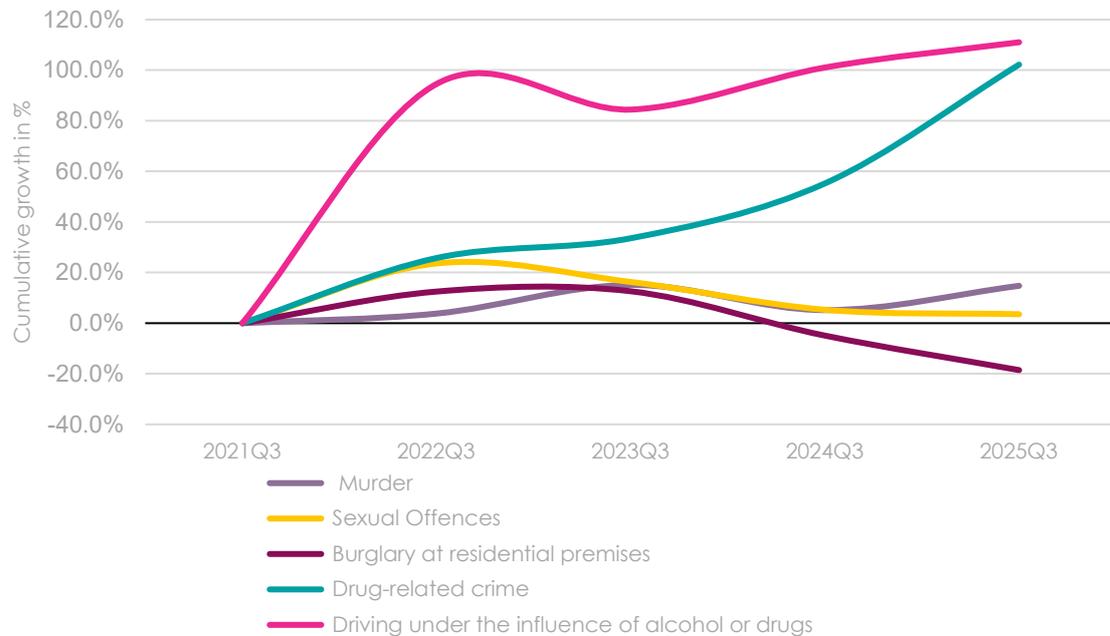
Through its South African Police Services (SAPS) oversight mandate, DPOCS drives accountability via the Policing Needs and Priorities (PNP) Report, the Court Watching Brief (CWB) programme, and monitoring compliance with the Domestic Violence Act (DVA). The Western Cape Police Ombudsman (WCPO), operating independently within DPOCS, processed 366 complaints in 2024/25, addressing inefficiency and strengthening public trust in policing institutions. Over the medium term, DPOCS will strengthen system-wide coordination through the establishment of the Provincial Safety Coordination Centre (PSCC), serving as a central hub for monitoring, integration, and reporting of safety initiatives across the province.

Institutional Care of High-Risk Adolescents, led by the DSD, provides Restorative Services and Alternative Care for children and youth in conflict with the law or those requiring secure care, focusing on high-risk adolescents. This work directly contributes to the 2025 - 2030 PSP Safety Portfolio by ensuring robust interventions for children awaiting trial and those sentenced to residential care. Performance in 2024/25 demonstrated that 5 404 children in conflict with the law were assessed, and 1 019 children were referred to diversion programmes. The system held 698 children awaiting trial and 118 children sentenced in secure care Child and Youth Care Centres (CYCCs). The value for money lens centres on the restorative justice approach, ensuring pre-trial guidance and psychosocial interventions that prioritise moving individuals away from violence and reduce the long-term cycle of recidivism, which is costly to the state. Over the 2026 MTEF, the focus is on strengthening psychosocial and therapeutic support within secure care facilities, enhancing reunification services, and ensuring effective reintegration pathways for youth exiting the centres. Planned targets for each financial year over the 2026 MTEF include assessing 4 215 children in conflict with the law, maintaining capacity for 750 children awaiting trial in secure care CYCC, and ensuring that 820 children in conflict with the law complete diversion programmes.

### Crime in the Western Cape

Crime in the Western Cape remains high, with violent offences and police-detected crimes both showing notable increases between the 3<sup>rd</sup> quarters of 2021 and 2025.

Between the 3<sup>rd</sup> quarters of 2021 and 2025, reported murders in the Western Cape rose from 1 011 to 1 160 cases (up 14.7%), while sexual offences increased by 3.6%. Police-driven categories such as drug-related crime and driving under the influence more than doubled (111.1% and 102.3%), a shift that can be linked to strict COVID-19 restrictions like curfews, alcohol bans, and limits on movement that were still in place in mid-2021.



Analysts and officials highlight arguments, interpersonal disputes, gang activity and widespread firearm availability as key drivers of these killings, indicating that underlying risk factors remain deeply entrenched despite intensified policing efforts.

Overall, the Western Cape recorded higher murder numbers in the 3<sup>rd</sup> quarter of 2025 than in 2021, alongside sharp increases in police-driven crime categories as post-pandemic conditions normalised. While there are some signs of progress in specific quarters and areas, persistent concentrations of lethal violence in key hotspots underscore the need for sustained, multi-faceted safety and social interventions.

Source: SAPS 28 November, 2025

## Western Cape leading the fight against gender-based violence

The Western Cape is leading the country in its efforts to prevent and respond to gender-based violence. According to the European Union's monitoring of South Africa's national GBVF Strategic Plan, the WCG is performing the strongest in the country. The Department of Social Development coordinates the strategy across all provincial departments, making the Western Cape the only province with this level of transversal implementation.



The EU's assessment shows that the Western Cape is the only province to achieve 100% compliance in dedicating resources to the plan and 98% compliance in providing required facilities. Other provinces lag far behind, with results ranging between 45% – 85% for resources and 26% – 86% for facilities. These findings reflect the province's sustained commitment to expanding support services for survivors and addressing the root causes of violence.

Through GBV shelters, dedicated GBVF social workers, and initiatives such as the GBV Ambassador Programme, the Western Cape continues to improve awareness, prevention, and access to support. On 25 February 2025, the eighth GBV Ambassador cohort was launched in the Central Karoo, with volunteers from Beaufort West, Murraysburg, Nelspoort, Leeu-Gamka, Prince Albert, and Laingsburg. Additional programmes operate in Swartland, Delft, Grabouw, Philippi, Heinz Park, Ceres, and across Metro North communities including Dunoon, Bishop Lavis, Langa, Elsies River, and Fisantekraal.

GBV ambassadors are trained volunteers who inform residents about available services and help with referrals to DSD and SAPS. Many ambassadors participate to help others break the silence around abuse, encourage reporting, and support victims who may struggle to speak for themselves. Increased outreach through the Western Cape's GBV Implementation Plan has led to more survivors accessing counselling, support services, and pathways to safety.

Source: *Western Cape Department of Social Development*

### Impact of the Safety Portfolio

The safety portfolio enters the 2025 – 2030 period from a challenging baseline marked by high levels of violence, social fragmentation, and low perceptions of safety, with the Western Cape accounting for 16.5 per cent of national homicides and 11 of South Africa's top 30 murder hotspots. Despite these conditions, progress has been made; homicides declined by 1.3 per cent in 2025, with improvements in several high-crime precincts, including Nyanga, Khayelitsha, Gugulethu, and Philippi East. However, other areas, including Lenteguur and Bishop Lavis, experienced sharp increases in homicides, and perceptions of safety deteriorated further, with 49 per cent of residents feeling unsafe walking alone at night. Furthermore, the Provincial Safety Coordination Centre has been operationalised to enhance data-driven interventions. Programmes such as LEAP, in partnership with the City of Cape Town, now maintains 850 officers, and community-based initiatives like Planet Youth (surveyed nearly 49 000 learners) and the Community-Level Safety and Development Programme, have strengthened local responses.

Looking ahead, the safety portfolio will prioritise integrated violence prevention, strengthened law enforcement, and area-based collaboration to build resilient, safer communities. Key interventions include expanding the Growth and Resilience Programme in priority communities, implementing the Western Cape Drug Master Plan, and deepening intelligence-led policing to improve trust, safety, and service delivery outcomes. The table below outlines selected indicators, their status, and the 2026 MTEF targets.

Focus Area	Indicator	Where we are currently	Where we are going (2026 MTEF Target)
Safe and Secure Communities and Infrastructure (SSCI) (Institutional Resilience)	Security resilience maturity levels of WCG Departments	Maturity level 1	Maturity level 3
SSCI (Community Initiatives)	Accredited Neighbourhood Watch (NHW) structures	470 accredited NHW structures	1 000 accredited NHW structures
Effective and Responsive Law Enforcement (ERLE) (Law Enforcement Capacity)	Sustain metro and rural law enforcement capacity support (Municipalities supported)	4 municipalities supported	25 municipalities supported
ERLE (Law Enforcement Capacity)	Maintain the minimum number of Learner Law Enforcement Officers in LEAP	850 officers	850 officers (non-cumulative)
ERLE (Integrated Intelligence)	Number of datasets ingested into the Provincial Safety Information Systems	12 datasets	30 datasets
Integrated Violence Prevention (Youth Empowerment)	Sustained empowerment opportunities provided to vulnerable groups (total opportunities)	1 200 opportunities	5 800 empowerment opportunities
IVP (Youth Empowerment)	Number of youth trained through the Chrysalis Academy	600 youth trained (Annual)	1 810 youth trained (MTEF cumulative)
IVP (Youth Empowerment)	Number of youth work opportunities created through EPWP	800 opportunities (Annual)	2 400 work opportunities (MTEF cumulative)
ERLE (SAPS Oversight)	Number of Capability Maturity Matrices (CMM) developed (to assess police stations)	New	1 CMM developed
SSCI (Community Governance)	Number of Community Policing Forums (CPFs) assessed on functionality	20 assessed	90 assessed (MTEF cumulative)

Source: WCG Safety Policy Portfolio, Department of Police Oversight and Community Safety  
The outcome indicators and targets presented are indicative and may be refined further as the PSIP is finalised

## ■ Portfolio 3: Educated, Healthy & Caring Society

The Educated, Healthy, and Caring Society Portfolio is central to the Western Cape Government's commitment to enabling every resident to live a healthy, meaningful, and dignified life. As the largest service delivery portfolio responsible for core constitutional mandates in education, health, social development, and agriculture it supports residents across the life course through an integrated, people-centred approach.

The Portfolio addresses the interconnected factors that shape wellbeing: child development, youth resilience and participation, adult inclusion, mental and physical health, social cohesion, spatial transformation, and disaster preparedness. Despite fiscal pressures and rising service demands, the Portfolio continues to prioritise collaboration, innovation, and efficiency to maintain and improve quality public services.

By strengthening human capital, improving spatial and social infrastructure, and building climate and health resilience, this Portfolio directly supports economic growth for job creation. Healthier, better educated, and socially supported communities contribute to a productive workforce, attract investment, and build long-term provincial resilience. Its focus area outcomes ensure that residents are equipped to take up opportunities and participate fully in a thriving, inclusive economy.

### Improved Child Wellbeing

The Social Work Integrated Management System Application (SWIMS) is a strategic Child Wellbeing intervention designed to modernise institutional capacity by strengthening case management systems and streamlining administrative processes for social workers. This intervention aligns with the EHACS focus area outcome of Improved Child Wellbeing, by ensuring that children have access to responsive caregiving. The phased rollout commenced in April 2024, with social workers from the Western Cape Education Department and Designated Child Protection Organisations already onboarded. The value for money lens is exceptional, as the system streamlines administration and enables automated data capture, allowing professional staff to dedicate more time to direct client engagement and less to paperwork, enhancing the quality and speed of statutory services. The core focus for the 2026 MTEF is the continued development and enhancement of the SWIMS, along with necessary hardware modernisation. Success is tied to maintaining a stable workforce of social workers to deliver these digitally enhanced services. By cutting administrative work from 15 to 8 minutes per case, the SWIMS app saves each social worker about 420 minutes a month and, if all 745 DSD social workers use it, around 312 900 minutes of staff time every month, equivalent to roughly 652 eight-hour workdays saved every month.

### Expanding the SWIMS App to strengthen social support services

The WCG is expanding the SWIMS App to improve social work coordination, case management, and support services across the province. On 5 August 2025, the Department of Social Development provided training to WCED social workers, making WCED the second department to adopt the system since its launch last year.



The system offers several benefits, including improved record-keeping, better tracking of interventions, clearer understanding of community needs, and stronger collaboration between departments and government spheres.

Currently, 1 141 DSD social workers are using the app, along with trained social workers from two Designated Child Protection Organisations: 44 from Stellcare and 14 from Valley Development Projects. The expansion aims to ensure more effective case monitoring, clearer referral pathways, and reduced risk of cases falling through the cracks, ultimately improving the support provided to residents.

The Department of Social Development plans to further extend SWIMS to additional WCG departments and NGOs working in the child protection sector.

Source: *Western Cape Department of Social Development*

Child health remains a foundational priority driving the outcome of Improved Child Wellbeing and supporting the “Start Well” phase of the Province’s life course approach. The DHW continues to strengthen early childhood health through the expansion of Primary Health Care (PHC) services, focusing on the first 1 000 days of life to promote optimal physical and mental development. Targeted interventions address persistent challenges such as malnutrition, stunting, and the prevention of vaccine-preventable diseases. In 2024/25, the DHW achieved strong performance outcomes, including an Infant 1st PCR positive rate<sup>3</sup> at birth of 0.70 per cent, exceeding the target of 0.94 per cent. Despite achievements, service pressures remain acute, particularly within District Health Services, where overcrowding in neonatal units, such as those at George Regional Hospital, continues to strain capacity. The DHW also remains vigilant against the resurgence of vaccine-preventable diseases due to fluctuating population immunity. Over the 2026 MTEF, DHW will prioritise the implementation of an integrated digital health record system to enable seamless tracking and monitoring of child health indicators from birth through adolescence, supporting more responsive, data-driven interventions across the provincial health system.

### Increase Youth Resilience, Civic, Educational and Economic Participation

The Early Childhood Development (ECD) universalisation of Grade R is vertically aligned with the objective of providing ECD services, including Grade R and Pre-Grade R. Furthermore, the department successfully increased the number of children accessing centre-based and out-of-centre services to 79 517. The introduction of eCares Online Registration System was a key achievement, with approximately 1 700 facilities applying and 370 facilities receiving Bronze Registration status in the first month of the online application process in the pilot province. The 2026 MTEF focus is on the continued registration of ECD facilities via the eCares system and improving the quality of programmes and monitoring processes over the next five years. The value

<sup>3</sup> A positive result from an infant’s first PCR test, especially in areas with high HIV prevalence, signals a likely HIV infection and demands urgent intervention. The immediate response is to confirm the result with a second PCR test and initiate antiretroviral therapy (ART) without delay, in line with National Department of Health guidelines. Early initiation of treatment is critical to improving the infant’s health outcomes and long-term survival.

for money lens is applied by ensuring that the 100 per cent budget utilisation directly benefits the most vulnerable children in the ECD sector.

The WCED is the lead contributor to the "Strong Foundations – ECD, Reading and After School Programmes" intervention, which is identified as one of the key initiatives under the broader 2025 - 2030 PSP umbrella of Youth Resilience. The WCED's involvement in ECD is central to establishing strong foundations, aimed at improving early learning outcomes from birth to school entry. The WCED supported ECD registration through inter-governmental collaboration and the implementation of the eCares Online Registration System. At the end of 2024/25, 1 530 ECD facilities were registered. Going forward, the WCED aims to enhance access to quality ECD services to improve school readiness, which will require a multifaceted effort, including training of caregivers in play-based learning; unblocking costly barriers to opening quality ECD centers in the most disadvantaged communities; and support for non-centre-based ECD services.

The WCED's strategy places a strong emphasis on strengthening foundational learning, particularly literacy and numeracy, as a core departmental priority. WCED strives to ensure that all children leave Grade 3 with the necessary skills in reading and numeracy by: having clear standards and goals set in terms of learning levels that needed to be achieved; using data to monitor progress towards the achievement of stated goals and sharing this data with policymakers, teachers, school management and parents; emphasising teaching in the classroom by focusing on the science of teaching literacy; and tight management of the reading programmes with some degree of centralism and prescriptiveness as to pedagogy and other input.

The Back-On-Track programme is the country's largest learning recovery initiative. While additional focus on reading and mathematics was integrated into the existing school day for Grades 1 to 3, this represents only one component of a much broader intervention. The programme also delivered large-scale teacher training, provided targeted Saturday and holiday classes across various grades, and supplied physical learning resources to support strengthened curriculum delivery. The total participation reached 40 schools, with 16 additional schools that joined in mid-September 2025. Independent evaluations, including the University of Stellenbosch's RESEP study and the 2024 Systemics analysis, assessed the impact of these components, particularly the additional weekend and holiday classes and the intensive teacher training. Their positive findings support the continuation of the programme into 2025 despite budget constraints.

To enhance resilience and improve coping mechanisms for the Youth, the DHW provides accessible counselling and mental health support to at-risk youth and co-leads the Integrated Violence Prevention Flagship. Insights from the Planet Youth survey are used to guide upstream, evidence-based social programmes that address substance misuse and other behavioural risks. Through the Integrated School Health Programme (ISHP), the DHW further supports educational participation by delivering essential health services, including Human Papillomavirus (HPV) vaccinations for Grade 5 schoolgirls. In addition, the DHW contributes to local economic development by facilitating First Aid training for unemployed youth in targeted municipalities, equipping them with practical, marketable skills that enhance employability and create pathways to sustainable livelihoods.

DCAS collaborates with local stakeholders to facilitate district-based youth camps through the Recreation and MOD Programme, ensuring equitable access to life-changing opportunities for young people across the Western Cape. These camps, strategically designed to reach rural and underserved areas, combine sports, arts, and life skills activities to foster personal growth, resilience, and social cohesion. Led by trained professionals and community leaders, the camps

provide a safe and inclusive environment where youth can explore their talents, build meaningful connections, and gain critical skills for personal and community development. By integrating the camps into the MOD Programme's delivery model, DCAS ensures that structured pathways for progression are established, linking these experiences to ongoing development opportunities within Sport Development programmes. These district-based camps reiterate DCAS's commitment to empowering youth and strengthening communities throughout the Province.

Over the next five years, the MOD Strategy sets out clear performance targets to strengthen the reach and impact of these camps. Programme delivery will be anchored by 315 fully operational MOD centres, with a strong emphasis on expanding access in rural communities. To ensure consistent participation across the system, the programme aims to reach 9.5 million learner engagements annually, supported by digital attendance and monitoring through the Teampact system. The 2 annual District youth camps targeting Grade 9 learners from 43 MOD centres and broader MOD activities will be delivered by 496 youth coaches on structured three-year contracts, all of whom will receive accredited induction training and ongoing professional development. Safety and quality remain central, with 100 per cent of MOD sites operating undersigned Service Level Agreements (SLAs) and all sites adopting trauma-informed, first-aid-enabled, and safeguarding-compliant practices.

In alignment with its commitment to inclusivity, DCAS collaborates with schools, federations, clubs, and community partners to support sport development, education, and training. These efforts prioritise historically marginalised groups, including rural communities and farm workers, ensuring equitable access to opportunities. Access to these transformative programmes reaches approximately 60 000 learners, and is seamlessly integrated through the Recreation, MOD and School Sport Programmes, which acts as a vital delivery mechanism for structured sports, arts, and life skills activities. Additionally, shared facilities amplify the reach and impact of these initiatives, creating safe, accessible, and vibrant spaces for youth engagement and community-building across the Western Cape.

Youth development remains a core focus area for the DPOCS, advanced primarily through its strategic partnership with the Chrysalis Academy. The Academy provides youth with training, skills development, and resilience-building programmes grounded in a trauma-informed approach, equipping participants to make positive life choices and reducing their vulnerability to crime and violence. In 2024/25, DPOCS continued its strong support for the Academy as it marked its 10<sup>th</sup> anniversary, reinforcing its role as a flagship youth empowerment initiative. Following graduation, DPOCS facilitated pathways into the labour market through the Expanded Public Works Programme (EPWP), ensuring that graduates gain meaningful work experience as well as opportunities for sustained economic participation.

### **Increase the Wellbeing and Agency of Adults and Older Persons**

The Gender-Based Violence National Strategic Plan (NSP) Implementation is a priority under the Adult and Older Persons' Wellbeing initiative, specifically mandated to address gender-based violence and femicide (GBVF). The aim of the NSP on GBVF (2020) is to address the needs and challenges encountered, particularly by women affected by GBV, through a cohesive, multi-sectoral strategic framework that guides a comprehensive national response to GBV and femicide. In response, the WCG GBV Implementation Plan aims to address the crisis of violence against women and children, prioritising safe spaces, skills development programmes, and long-term psychosocial care to break the cycle of violence and promote the economic empowerment of victims. Performance in 2024/25 shows that 24 464 victims of GBV accessed psychosocial support services, and there was an expansion of the shelter network, resulting in

25 funded Victim Empowerment Programme (VEP) shelters. For each financial year over the 2026 MTEF, 18 620 victims of GBV will be supported through psychosocial support services. Over the 2026 MTEF period, the number of funded VEP shelters will increase to 26 in 2026/27 and 27 in the following two financial years.

The Package of Care for Older Persons intervention focuses on implementing integrated services for the care, support, and protection of Older Persons, emphasising independent living and community-based aging. The value for money lens focuses on a developmental approach that shifts emphasis from costly institutional care toward community-based and alternative models (like assisted living) that enable Older Persons to remain in their communities for as long as possible, promoting dignity and inclusion. Performance in 2024/25 saw the Department subsidise 4 661 beds in residential care facilities and provide subsidies for 8 619 community-based care and support services. The key focus for the 2026 MTEF is to strengthen community-based services, monitor compliance with norms and standards, and continue support for alternative care models. Over the 2026 MTEF period, targets for each financial year include maintaining 4 661 subsidised beds in residential care facilities and supporting 8 442 subsidies for community-based care.

Ensuring food security is a vital government responsibility, carried out by DoA. By expanding support for household and school food gardens, the Department continues to promote sustainable food production and community resilience. In 2024/25, a total of 36 school food gardens and 3 111 household producers received support. Over the 2026 MTEF period, the Department plans to assist 20 school food gardens and approximately 2 250 household producers each year.

The DSD delivers a range of integrated services to empower and protect older persons, in line with the Older Persons Act and the 2025 - 2030 PSP's goal of increasing their wellbeing and agency. Current support includes residential and assisted-living subsidies, community-based care, social work interventions, abuse monitoring, and facility registration and compliance. Over the 2026 MTEF, the DSD plans to strengthen the sustainability of NPO-run facilities through increased subsidies and a new mentoring model, expand services through home-based care, intensify abuse investigations and compliance assessments, and ensure access to GBV and shelter services. Digitalisation via SWIMS and continued intersectoral collaboration will support improved service delivery.

The DHW has made demonstrable progress in service delivery reform, evidenced by the rollout of Community-Oriented Primary Care (COPC) and the expansion of Home and Community-Based Services, which help decentralise care and reduce pressure on facilities. The DHW is working towards specific long-term health system goals, including improving life expectancy to 70 years and ensuring equitable distribution of health professionals to facilities. However, the effectiveness and long-term sustainability of the entire system are deeply vulnerable to resource constraints and significant human resource capacity issues. The DHW's primary focus over the 2026 MTEF is strengthening the Primary Health Care (PHC) platform and transforming its service model toward Universal Health Care (UHC) principles. This involves expanding services through the Community-Oriented Primary Care (COPC) model, scaling up the role of Community Health Workers (CHWs), and allocating specific funding toward the Wellness strategy-COPC. Key interventions are targeted at managing the quadruple burden of disease (HIV/TB, NCDs, violence/injuries, maternal/child mortality/Mental health).

The DHW ensures value for money in this portfolio through allocative efficiency by directing scarce resources toward high-impact, upstream preventative interventions (e.g., COPC) that promote population health-based outcomes. Productive efficiency is achieved by expanding cost-

effective delivery models, such as the Central Dispensing Unit (CDU), thereby lowering the unit cost per patient contact and relieving facility pressure. The DHW is committed to the long-term sustainability of essential services, notably by prioritising the protection of the Compensation of Employees (CoE) budget through internal reprioritisation, aiming to stabilise the workforce capability necessary to deliver PHC services and manage the disease burden.

In 2024/25, the DPOCS prioritised the consolidation of foundational community safety mechanisms, such as Neighbourhood Watches (NHWs) and Community Safety Forums (CSFs) across district and local municipalities, all of which were found to be functional. To reinforce accountability within the criminal justice system, DPOCS sustained its GBV oversight interventions through the Court Watching Brief (CWB) programme, which monitors GBV-related cases, and through ongoing assessments of SAPS compliance with the Domestic Violence Act (DVA).

### Improved Spatial Transformation and Social Infrastructure

Public libraries in the Western Cape are essential in building cohesive communities by providing safe, welcoming spaces where individuals of all ages can learn, connect, and grow. Through community programmes like reading groups, workshops, and wellness activities, libraries foster social connections, reduce isolation, and encourage a sense of belonging. To promote literacy and create a strong culture of reading, libraries host diverse programmes including digital literacy training, story hours, book clubs, and visits to ECD centres and schools. By reaching out to the community and offering intergenerational programmes, public libraries play a vital role in developing early literacy skills, cultivating a love of reading, and uniting people across generations, all of which strengthen community bonds and foster a more informed, resilient society.

A key priority for DCAS is reimagining public libraries as multi-purpose community centres, fostering collaboration with recreational centres and serving as access points for other government services. This vision involves developing a modern Service Delivery Model that emphasises digital integration (e.g., eBooks), community hubs, access to technology, and inclusive spaces supporting cultural preservation, innovation, and creativity (e.g., makerspaces, innovation labs, and creative studios).

The Department of the Premier's (DotP) Innovation for Impact initiative is supporting this transformation by promoting Design Thinking to make libraries more adaptable, user-centric, and future-ready. Through a partnership with the Western Cape Library Service and the University of Cape Town's Hasso Plattner School of Design Thinking Africa, they launched the Foundation Phase Design Thinking challenge, piloted at the Wellington Library in Drakenstein Municipality. This user-centred approach encourages experimentation, builds creative confidence, and embraces an innovative future for public libraries.

The Western Cape maintains the largest provincial public library network in the country, with more than 370 libraries across urban and rural areas. Over the MTEF, performance efforts will focus on expanding equitable access to knowledge and digital inclusion. Key planned outputs include the continued provision of diverse library materials in both printed and digital formats, expanding free internet access at rural libraries through the Rural Library Connectivity Project, and increasing the number of mini libraries that support visually impaired users.

Service delivery will also be strengthened through ongoing monitoring and evaluation, including regular on-site visits and online engagements with municipalities. To deepen community participation and promote a culture of reading, the department will continue publishing the

Cape Librarian bi-monthly journal, implementing outreach programmes, and promoting awareness initiatives that support social inclusion and national identity. Digitisation efforts will be expanded through the rollout of the Access to Memory system and the launch of a new archives website, increasing global access to archival records.

Capacity building remains a key focus, with ongoing training for public library staff, as well as records management training for government entities to improve compliance and strengthen governance. The department will also continue managing the Municipal Replacement Fund, Conditional Grant and Metro Library Fund to support staffing and ensure continuity in library operations across the Province.

DEA&DP's Regional Socio-Economic Projects (RSEP) is designed to support local municipalities in the Western Cape with planning, design, and implementation of projects that improve social, economic, and spatial integration in underserved areas. The focus is on uplifting communities through infrastructure, local economic development initiatives, and safer public spaces, using a collaborative approach involving different levels of government and civil society.

In 2024/25, the DEA&DP RSEP Programme assisted 14 municipalities supporting local urban upliftment and integration initiatives. The programme delivered infrastructure and non-infrastructure projects aimed at improving safety, economic well-being, and spatial integration in marginalised communities and smaller towns. Over the 2026 MTEF, the Department plans to implement the RSEP programme in at least thirteen municipalities each year, supporting local development, planning and integration in disadvantaged areas.

DEA&DP's Housing Market Studies in the Western Cape provide municipalities with research and analysis on local housing dynamics, including supply, demand, pricing, affordability, and gaps in the property market. These studies help municipalities identify opportunities and challenges in delivering well-located, affordable housing and inform evidence-based planning and policy development, such as Inclusionary Housing Policies and innovative affordability strategies. The Department plans to finalise seven housing market studies in 2025/26 and update housing market studies for another four municipalities.

The Western Cape Spatial Development Framework (WCSDF) is the province's highest-level spatial policy, guiding coordinated spatial planning, resource targeting and decision-making across all sectors. Its purpose is to maximise collective impact and strengthen long-term regional resilience. The DEA&DP is leading the province in compiling the WCSDF 2035 to update and reposition the 2014 Provincial Spatial Development Framework, ensuring that Western Cape's spatial strategy remains relevant and effective. The WCSDF is mandated under the Spatial Planning and Land Use Management Act (SPLUMA) as the core framework for provincial spatial development.

The DEA&DP Spatial Planning and Land Use Management (SPLUM) Governance Assessment and Support Programme helps municipalities strengthen spatial planning and land use management by developing and implementing best practice initiatives and providing advisory services. The programme aims to promote spatial transformation, regional resilience, and inclusive growth in the Western Cape, while the SPLUM Governance Assessment measures municipal compliance and institutional capacity. Importantly, the programme maintains an annual target of three best practice initiatives over the 2026 MTEF to improve governance and drive effective land use management.

In 2024/25 DoI delivered a total of 9 353 housing opportunities, comprised of 4 853 serviced sites, 2 633 houses built, and 1867 housing subsidies provided. Additionally, in 2024/25 DoI began construction on 4 new social housing projects set to deliver 2 165 units (Conradie Park phase 2: 659; Regent Villas Ext 2: 110; Somerset West: 1 034; Mountain Ridge: 362), with Mandalay approved for an additional 770 units via SHRA's CCG. Targets over the MTEF commit to keep mixed-use, mixed-income precincts on track. For example, Conradie Park handovers are underway, with some of the social housing blocks being handed over in March 2025 and the remaining blocks due late in the 2025/26 financial year and Founders Garden and Leeuloop are now moving to Request for Proposals and developer appointment by the end of 2025/26. Looking ahead DoI aim to deliver 10 000 housing opportunities annually for the next 5 years.

DoI continued delivering WCED facilities (new builds, additions or alterations, and maintenance), with multiple primary schools: De Waalville, Waveren, Macassar, Happy Valley #2, Concordia, Graafwater, scheduled for completion in 2025/26. Additionally, DoI's community-skills programmes and bursaries already mentioned under the Growth for Jobs portfolio, reinforces longer-term human-capital outcomes in the built environment.

The WCMD's Universal-access features in Go George and co-funding of Dial-a-Ride (DAR) (CoCT) provided mobility for persons with disabilities, with about 2 200 DAR passengers served monthly by about 15 accessible vehicles, while Go George maintains ramps or hoists, tactile paving, audio or visual information and priority seating. The WCMD plans to continue to offer these services over the 2026 MTEF and adds more Go George routes for increased coverage.

### **Effective Approach to One Health and Disaster Management**

DHW advances this focus area by addressing the interdependence between human, animal, and environmental health. Through institutionalising the One Health framework and adopting Whole of Government (WOGA) and Whole of Society (WoSA) approaches, the DHW strengthens coordination across sectors to enhance climate resilience and disaster preparedness. Over the 2026 MTEF, in partnership with DoA, DEA&DP, and municipalities, warning systems will be enhanced through Integrated Surveillance (INSIGHT), improving outbreak response, and implementing an Antimicrobial Stewardship (AMS) strategy. These measures have improved adaptive capacity and resource efficiency, evidenced by 67.3 per cent of provincial hospitals meeting water use benchmarks in 2024/25. The DHW, as part of the WCG ecosystem, delivers value for money through investments in prevention, green infrastructure, and renewable energy systems that reduce long-term costs and safeguard service continuity.

DPOCS supports the One Health approach by strengthening disaster readiness and safeguarding critical infrastructure across the WCG. In 2024/25, DPOCS demonstrated operational agility and responsiveness by deploying its Security Support Team to major emergencies and public events, ensuring the protection of essential health, safety, and disaster response facilities. DPOCS has also advanced institutional resilience by implementing security risk mitigation measures across WCG departments, helping to safeguard assets, personnel, and service delivery continuity. Furthermore, DPOCS conducted security awareness sessions and developed transversal security guidelines and directives to standardise the management of security risks across all departments. These efforts contribute to provincial stability and ensure that critical resources remain protected and available when needed. Over the 2026 MTEF, DPOCS aims to build organisational resilience by improving departmental security maturity from level 1 to level 3, ensuring institutions can anticipate, withstand, and recover from safety, security, and disaster-related risks. DPOCS will lead efforts to safeguard WCG assets, people, infrastructure, and information, through strengthened security risk management, compliance with national safety standards, and proactive mitigation

of disruptive events. Recognising climate change as a growing security risk, DPOCS will align its work with the WCG's Climate Change Response Strategy Vision 2050 and continue evidence-based collaboration using data from the Forensic Pathology Service to guide safety interventions and resource deployment.

DSD contributes to strengthening provincial regional, and local post-disaster responses, encompassing immediate humanitarian relief and psychosocial support. A whole of society approach is coordinated, which ensures the rapid deployment of psychosocial support, food relief, and humanitarian assistance, mitigating the compounded effects of climate events on vulnerable communities. Performance in 2024/25 demonstrated considerable capacity, with 1 418 disaster cases (households) and 3 610 undue hardship cases (households) assessed for immediate relief. For the 2026 MTEF, the strategic focus is on capacity building for DSD staff regarding relief policy guidelines and protocols, promoting a proactive risk reduction approach, particularly in rural areas. Targets for each financial year over the 2026 MTEF are to assess 765 disaster cases (households) and 1 177 undue hardship cases (households).

The Western Cape Sustainable Water Protection Plan promotes coordinated action to safeguard the province's water resources through three focus areas: Ecological Infrastructure, Water Quality and Pollution, and Water Sensitive Design with Nature-based Solutions. Through the strategy the DEA&DP supports municipalities in integrating sustainable practices, enhances monitoring and data management, and encourages investment in ecological restoration and pollution control. The Western Cape entity, CapeNature, has a heightened responsibility given one of the world's six floristic kingdoms – the Cape Floristic Region – is situated almost entirely within the Province and under the custodianship of the Entity. The Cape Floristic Region is home to approximately 9 000 plant species, 70 per cent of which are endemic, meaning they occur nowhere else on Earth. The region is home to a fifth of all plant species in Africa, despite occupying less than 0.5 per cent of the continent's land mass. The 2022 - 2026 Catchment to Coast Strategy has been pivotal in guiding the restoration and maintenance of these systems, which contributes to more stable and sustainable supply of clean water, regulate climate impacts and protect against disasters like floods and droughts. By focusing on priority areas, CapeNature is working to build ecological resilience and protect the Western Cape's biodiversity. These efforts are proactively building resilience while supporting disaster risk reduction. Recognising the critical link between ecological infrastructure and socio-economic development, CapeNature aligns with the WCG's commitment to leveraging ecological assets to create work opportunities and address climate and water risks. This work advances the EHACS Portfolio's One Health approach and strengthens water security and resilience under the Growing for Jobs outcome of the Provincial Strategic Plan.

Air Quality Management in the Western Cape focuses on achieving cleaner air and improved atmospheric conditions through the enforcement of laws, strategic policies, and effective systems at the provincial level. The DEA&DP supports initiatives at local, national, and international scales, including the declaration of priority areas, systematic monitoring of ambient air, and tracking of emission sources. Ten air quality monitoring stations, modernised with new analysers in 2025/26, enable the Province to maintain good air quality. By increasing policies and interventions informed by INSIGHT data, the DEA&DP aims to further reduce pollution-related health incidents and drive sustainable improvements in public and environmental health.

The DEA&DP Compliance and Enforcement Programme aims to strengthen environmental governance by establishing robust compliance monitoring systems, enforcing legislation and authorisations, and enhancing the capacity of environmental management inspectorates

through targeted training. The programme responds proactively to environmental complaints, overseeing investigations and ensuring necessary enforcement actions are taken.

In 2024/25, the DEA&DP programme conducted 375 compliance inspections, with a target to increase to 390 inspections across the 2026 MTEF. It consistently issued administrative enforcement notices for non-compliance, achieving a rate of 67 per cent in 2024/25 and aiming for over 68 per cent in subsequent years. Furthermore, the Programme also ensures that inspections of licensed facilities meet legislative obligations, while efficiently finalising 90 per cent of S24G applications within stipulated timeframes both in 2024/25 and over the 2026 period. In addition, it handed 15 completed criminal investigations to the National Prosecuting Authority for prosecution in 2024/25, with more than 12 cases anticipated over the 2026 MTEF, reflecting continued efforts to uphold environmental law and accountability.

The hazardous waste intervention project focused on strengthening chemical safety in schools through the development of a Standard Operating Procedure for managing obsolete chemicals. This initiative provided the WCED with a practical framework to safely identify, handle, and dispose of outdated or hazardous substances which formed part of school science laboratories. By promoting sustainable and compliant waste management practices, the intervention significantly improved safety standards and environmental responsibility across schools. Looking forward, special focus will be placed on reducing single-use plastics and ensuring the proper disposal of hazardous waste. This could involve public awareness campaigns and stricter regulations on industries generating hazardous by-products.

INSIGHT is a cross-sector initiative designed to integrate water and air quality surveillance data to pinpoint pollution sources and inform smarter, evidence-based health policies and interventions. By combining environmental monitoring, health data, and expert collaboration, it enhances public health responses and supports sustainable environmental management. The initiative focuses on expanding environmental monitoring infrastructure, improving health data integration, and strengthening the detection of pollution-related health incidents such as respiratory or waterborne illnesses, ultimately contributing to more resilient and healthier communities.

The Sanitary Dignity Programme (SDP) supports the health, dignity, and school attendance of vulnerable girls and young women by providing safe and hygienic sanitary products across WCED-identified schools and DSD facilities. As a key intervention aligned to government priorities on reducing poverty and the cost of living, the programme aims to eradicate 'period poverty', preserve dignity, and reduce absenteeism for learners in grades 4–12. In 2024/25, the programme distributed 15 209 boxes to 261 schools and CYCCs and strengthened coordination of the programme through the Provincial Sanitary Dignity Committee. Over the 2026 MTEF, the SDP the aim is to stabilise supply through a multi-year tender and maintain its annual distribution target of 26 215 boxes to ensure continued, reliable access to sanitary products for indigent girls and young women across the Province.

### Impact of the Educated, Healthy and Caring Society (EHACS) Portfolio

The EHACS Portfolio of the PSP focuses on ensuring every person has access to the opportunity to live a healthy, meaningful, and dignified life in an inclusive society. This Portfolio follows a life course approach, strategically targeting interventions to optimise development and well-being at every stage of life. It combines this temporal focus with tangible actions in spatial transformation to ensure an improved, equitable built environment and the guiding, holistic principles of One Health to secure public, animal, and environmental well-being. By prioritising these fundamental aspects, the EHACS pillar drives long-term sustainable development and enhances the quality of life for all residents.

To achieve its intended impact, the Portfolio has decided to adopt an active process of sense-making and learning in order to better understand the impact of its interventions and engage in adaptive decision-making. This iterative process of reflecting on and improving the indicators ensures that they will accurately reflect the vision and outcomes in the PSP and allow for meaningful measurement and informed decision-making moving forward.

Indicator	Where we started	Where we are now	Where we are going (Target)
Low birthweight	11.9% (2023)	11.6% (2024)	10.2% (2027)
Grade 3 reading for meaning	47.8 (2023)	52.8 (2024)	58.8% (2030)
15-24 NEETS	30.1% (2024)	30.2% (2025)	10% reduction by 2030
HIV+ in treatment	72% (2024)	72% (2024)	95% (2030)
Population living below the poverty line	25,7% (2023)	24,8% (2024)	20% (2030)
Households with routinely inadequate food access	Adults: 2,7% Children: 2,4% (2023)	Adults: 3,3% Children: 3,3% (2024)	25% reduction by 2030

Source: Budget Policy Portfolio Engagement and EHACS portfolio team.

The spatial transformation and One Health indicators are in development as they are more complex indices.

The outcome indicators and targets presented are indicative and may be refined further as the PSIP is finalised.

## Portfolio 4: Innovation, Culture and Governance

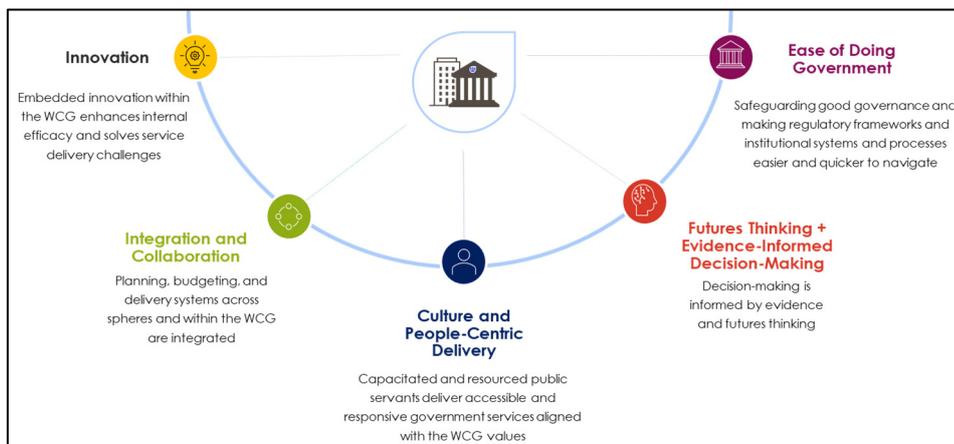
The Innovation, Culture, and Governance (IC&G) Portfolio drives the Western Cape Government's internal transformation agenda, ensuring that the organisation remains agile, credible, and capable in an increasingly complex and fiscally constrained environment. By institutionalising innovation, fostering a supportive organisational culture, and strengthening governance, the IC&G Portfolio enables the state to deliver responsive, efficient, and high-quality services.

The Portfolio is guided by six strategic principles: optimising the flow of resources and information; strengthening trust in government; embedding outcomes-based governance; empowering departments for resident-centred delivery; fostering agile and collaborative ways of working; and using evidence, foresight, and intelligence to shape future-fit solutions. This approach moves the organisation beyond compliance towards a model of proactive, impact-driven public service.

Through its focus on innovation, integration, culture, futures thinking, and ease of doing government, the IC&G Portfolio enhances the ability of all departments to deliver on the Provincial Strategic Plan. By strengthening internal capabilities and governance systems, the Portfolio supports economic growth through improved public confidence, high-quality service

delivery, and an efficient regulatory environment that enables businesses to operate, grow, and create jobs.

**Figure 4.4 Strategic Enablers for IC&G**



Source: WCG Provincial Strategic Plan, 2025 - 2030

## Innovation

The Innovation for Impact Strategic Framework serves as the Western Cape Government's roadmap for embedding a culture of innovation across all operations. It promotes creative exploration and experimentation, strengthens the capacity of officials through skills development, fosters collaborative problem-solving among diverse stakeholders, and secures resources to support the development and implementation of new solutions. Over the medium term, this framework will continue to institutionalise innovation as a core value of the WCG, enhancing service delivery, improving operational efficiency, and driving transformative, evidence-based responses to complex provincial challenges.

The Digital Government Strategy aims to empower residents by providing digital tools, optimising resident-centred services, monitoring embedded systems, and promoting connected government and ICT governance through broadband and free Wi-Fi access. Significant progress has been achieved in 2024/25, including the upgrade of broadband connectivity at 1 914 WCG sites and the activation of 1 600 public Wi-Fi hotspots, particularly in rural areas.

Through the Innovation for Impact initiative, DoP is developing an Innovation Index as part of the Barrett Survey, in partnership with the Organisational Development team. This index will provide a measurable baseline of the WCG's innovation culture, enabling leadership to identify strengths, gaps, and opportunities to foster creativity and experimentation in the workplace.

The Innovation Portfolio complements this by maintaining a dynamic, province-wide view of innovation activity, capturing and analysing initiatives that demonstrate new ways of thinking, operating, and delivering public value. This portfolio approach allows the Department to surface emerging innovations, share best practices, and inform evidence-based strategic decision-making across departments.

The Innovation Exchange further strengthens this ecosystem by convening a Champions Forum, Communities of Practice, and Innovation Huddles across the WCG departments. These platforms bring together practitioners, thought leaders, and innovators to assess key initiatives, promote organisational learning, and drive collaborative problem-solving. By connecting people and ideas, the Exchange enhances the WCG's ability to respond adaptively to complex challenges.

and to embed a culture of continuous improvement and innovation throughout the provincial administration.

Through DotP's Strategic Support enabling programme, the Department provides targeted assistance to high-priority provincial projects that demonstrate potential for transformative impact will continue to be provided. This includes facilitating access to capacity-building, data, and experimentation platforms to test and refine innovative approaches before scaling them across departments. By serving as an innovation catalyst, the interventions planned ensure that promising initiatives are strategically aligned with provincial priorities, supported by sound governance, and optimised for measurable outcomes.

The Evidence and Advocacy flagship focuses on capturing and communicating insights, lessons, and success stories from across the WCG to strengthen collective intelligence and foster a shared understanding of what works. This involves curating case studies, documenting innovation journeys, and showcasing impactful practices through internal and external platforms. By elevating visibility and celebrating success, the Department (with DotP as lead department) aims to enhance learning, collaboration, and the overall innovation narrative within the public sector, inspiring further experimentation and adaptive problem-solving.

The DHW's focus over the medium term is to prioritise E-vision and ICT developments. Key interventions include expanding digital automation, such as the Central Dispensing Unit (CDU) and Telehealth services, developing the Provincial Health Data Centre (PHDC), and leveraging automation capacity to enhance the data ecosystem and relieve pressure on frontline staff. In terms of digitalisation, Telehealth completed 25 000 client calls for HIV, TB, and other conditions in 2024/25, highlighting tangible progress in expanding digital service delivery. The DHW is also strengthening its internal capacity through the phased, five-year implementation of a decentralised Occupational Health and Safety (OHS) service to address past deficiencies in capacity and reporting. The DHW is actively working to finalise and implement the Infrastructure Sourcing Organization Design recommendations to optimise infrastructure procurement, a process intended to enhance operational efficiency. The DHW ensures value for money in the IC&G portfolio by driving productive efficiency through optimising the pace and scale at which resources and information flow. The expansion of CDU and Telehealth services directly reduces the unit cost per contact, acting as a crucial efficiency lever.

DPOCS continues to embed innovation in its institutional culture by integrating technology and creative problem-solving into safety and oversight functions. Progress in 2024/25 included the deployment of digital systems such as ShotSpotter and EPIC to enhance intelligence-led policing and the initiation of a Law Enforcement Advancement Plan (LEAP) design evaluation to strengthen evidence-based impact measurement. Over the medium term, the DPOCS will expand its digital presence through improved ICT systems, a Complaints Management System (CRM), and the development of a Capability Maturity Matrix (CMM) to drive accountability and continuous improvement within police stations.

### **Integration and Collaboration**

In partnership with DLG, DoTP, and DEA&DP, the PT is also spearheading the Collaborative Integrated Planning, Budgeting, and Development initiative, which aims to align provincial and municipal budgets and ensure coherence across development planning instruments. By embedding integrated fiscal and spatial planning practices, this initiative enhances the credibility and responsiveness of IDPs and municipal budgets, aligning them with the 2025-2030 PSP, G4J Strategy, the WCSDF and the Western Cape Infrastructure Framework. This collaborative

approach ensures that government resources are allocated more efficiently and that development priorities are implemented in a coordinated and impactful manner. The Joint District and Metro Approach (JDMA) strengthens intergovernmental relations and promotes integrated planning at the national, provincial, and municipal levels. This district-wide, resident-focused strategy ensures efficient service delivery and resource allocation. In line with the national District Development Model, the JDMA will continue to drive ISD across districts and metropolitan areas through co-planning, co-budgeting, and co-implementation in the medium term.

The Integrated Work Plan (IWP) is the Western Cape Government's coordinating framework for joint planning, budgeting and implementation across provincial departments, municipalities and national entities, ensuring alignment between strategic priorities, district needs and municipal responsibilities. First developed in 2016 and now being updated to align with the 2025-2030 PSP, the IWP strengthens integrated service delivery by providing the platforms and processes for coherent planning, credible budgeting and coordinated execution. Supported by the re-established Joint Working Group (DLG, PT and DEA&DP), the review enhances compliance with Section 24 of the Municipal Systems Act and National Treasury's MTEF guidelines, ensures budgets give effect to IDPs and Municipal Spatial Development Frameworks, improves monitoring of municipal performance, and assists with key infrastructure delivery. The 2025 – 2030 IWP will be implemented through an annual plan that details the required engagements, processes and stakeholders, ensuring predictable, collaborative and results-driven intergovernmental planning throughout the 2025 - 2030 PSP cycle.

To promote accountability and sustainable governance, the DLG is leading the implementation of the Municipal Shared Services initiative in partnership with PT and municipalities. This intervention focuses on developing and implementing a Shared Services Framework to guide inter-municipal cooperation and the pooling of resources across functional areas including financial management, human resources, and infrastructure maintenance. By formalising shared service agreements, the initiative aims to improve operational efficiency, reduce duplication, and enable municipalities to access scarce and critical skills, particularly in smaller or capacity-constrained municipalities. This approach strengthens institutional sustainability while supporting the long-term goal of improved service delivery and accountable governance across the Province.

The Sustainable Infrastructure Development and Finance Facility (SIDAFF) serve as a key mechanism to enhance sustainable municipal infrastructure investment and drive economic growth at the local level. Led by DLG, in collaboration with the PT and municipalities, this initiative supports municipalities to prepare bankable infrastructure projects through the development of investor packs and feasibility studies. The intervention seeks to leverage debt-based financing and attract blended finance for catalytic infrastructure, enabling municipalities to expand investment in water, energy, and transport infrastructure. Through SIDAFF, the DLG is contributing to job creation, infrastructure resilience, and improved access to economic opportunities, addressing fiscal constraints that have historically limited municipal capital expenditure. Grant funding from Development Finance Institutions amounting to R71.475 million has been utilised through SIDAFF-supported initiatives. This catalytic investment is expected to unlock approximately R1.153 billion in infrastructure projects across participating municipalities. In parallel, the Department of Environmental Affairs and Development Planning is exploring a Biodiversity Credit Scheme for the Western Cape, which could unlock new streams of alternative and blended financing by monetising conservation outcomes and attracting private-sector investment into nature-based and climate-resilient infrastructure.

The Alternative and Blended Finance (ABF) Programme, led by the Provincial Treasury (PT), guides departments and public entities on mobilising new sources of capital in support of the province's socio-economic development objectives. The programme aims to crowd in additional financing over the medium term by leveraging partnerships with private investors, including impact investors, development finance institutions, multilateral development banks, and donor organisations. Through its framework and associated initiatives, the ABF Programme enables the WCG to conclude blended and alternative finance agreements that help close the fiscal gap while supporting priority infrastructure and service-delivery interventions. This approach unlocks extra-fiscal capital in the form of funding and finance, which in turn generates positive externalities for departments and municipalities by strengthening their capacity to deliver high-impact projects and to participate in shared learning and innovation networks.

In support of this goal, the WCG is also establishing Special Purpose Vehicles (SPVs) as catalytic instruments to mobilise private and philanthropic funding at scale. These SPVs demonstrate scalable models of blended finance and reinforce the province's commitment to partnership-driven approaches to socio-economic development. The Cape Care Fund is one such SPV. It is a partnership between DSD and The Health Foundation to raise and channel investment into the province's social-services ecosystem by supporting high-performing NPOs and NGOs. The initiative strengthens the resilience of organisations delivering statutory and community-based services, helping them navigate declining transfers and donor funding while ensuring continuity of support for vulnerable residents.

Another SPV, EduInvest, is a public-private collaboration between WCED and Wesgro aimed at attracting investment into the education sector. The initiative focuses on expanding the availability of low-fee independent schools, increasing classroom capacity, and alleviating overcrowding in public schools. EduInvest also positions the Western Cape as a leading hub for education innovation by catalysing investment, fostering collaboration, and supporting the long-term development of a robust skills pipeline. Together, these SPVs complement the ABF Programme by broadening the channels through which the province can mobilise alternative capital, support high-impact social and economic priorities, and reinforce the role of partnerships in driving sustainable development.

By creating a more coordinated governance mechanism, this initiative enhances joint intelligence, shared prioritisation, and the co-creation of development pathways that are spatially targeted and fiscally sustainable. This integrated approach not only improves the efficiency of resource allocation and project delivery but also strengthens accountability and evidence-informed decision-making, ensuring that public investments have greater impact on service delivery, infrastructure development, and regional economic growth.

DoI's Single Western Cape Pipeline sits on an AI-enabled digital platform that constitutes a rolling pipeline of projects and provides monthly updates on project data and documentation and stage-gate readiness. This is complemented by a giga-map that gives a clear view of short-, medium- and long-term plans and the interdependencies and connections between all the projects in the pipeline, as well as how they would fit into the various spatial development plans and frameworks of national, provincial and municipal governments.

The platform enables virtual project scoring, project development and improvement, and stores all project documentation in one accessible place to increase visibility and make it easier for potential funders and financiers to review project preparation materials, develop them into bankable equivalents, and contact project owners directly where authorised and when necessary. It is in beta testing now (demo available), has already scored 38 projects valued at

approximately R115 billion, is publishing investor materials (elevator pitches and investment prospectuses), and is scheduled to be fully operational by the second quarter of 2026.

From a value for money perspective: prioritisation and pre-packaging reduce rework and cycle times, while a single province-wide pipeline improves allocation to high-impact projects. Common data and workflows on the digital platform cut transaction costs and time-to-contract, and provide better evidence for selection and sequencing, which improves delivery outcomes. By producing standardised, investor-grade information, the platform crowds in blended and alternative finance, reducing the fiscal burden and mobilising private capital.

Collaboration remains central to DPOCS's mandate, implemented through WOGA and WOSA approaches. In 2024/25, the DPOCS strengthened intergovernmental coordination through the Safer City Collaboration Agreement with SAPS and the City of Cape Town, as well as functionality assessments of Community Safety Forums (CSFs) across municipalities. Over the medium term, DPOCS will operationalise the Provincial Safety Coordination Centre (PSCC) as the Province's hub for monitoring and aligning safety initiatives, while expanding Community-Level Safety and Development Forums (CL-SDFs) to enhance local-level integration and impact.

### Culture and People-Centred Delivery

DotP continues to play a central enabling role in advancing a culture of innovation, digital transformation, and people-centred service delivery.

A key initiative, the WCG Culture Journey, aims to entrench the WCG's core values of Caring, Competence, Accountability, Integrity, Innovation, and Responsiveness within every layer of the organisation. Through immersive engagement sessions and leadership dialogues, this programme seeks to enhance employee morale, promote ethical conduct, and build a high-performance culture that strengthens public trust. Complementing this, the Frontline Service Enhancement Project focuses on improving the quality of resident experiences across digital and physical service delivery touchpoints. By embedding values-based interactions, it ensures that residents' engagements with government reflect dignity, professionalism, and efficiency.

The e-Kiosks for Digital Services initiative (formerly known as the e-Centre programme) continues to be a key enabler of the Western Cape Government's digital transformation agenda. Implemented through the Centre for e-Innovation (Ce-I), the initiative highlights the Province's dedication to improving digital access, connectivity, and service innovation, particularly in communities with limited access to online government services. During 2024/25, substantial progress was made in expanding and modernising the e-Kiosk network as part of the broader Digital Government Strategy. The deployment of a mobile e-Kiosk, which played a crucial role in the 2024 George building collapse disaster response, has shown great promise in improved ICT access in under-resourced areas. The 82 e-Kiosks, which were supported in collaboration with Library Business Corners, have grown to 215 469 registered users concentrated in the rural areas.

The e-Kiosks support the WCG's broader digital inclusion goals, helping residents apply for services, access information, and enhance their digital literacy. They also serve as community innovation points, where residents can connect to opportunities for learning, business, and employment. Through this initiative, the DotP is advancing the 2025 - 2030 PSP outcome of a digitally empowered and enabled WCG, ensuring that technology serves as a bridge to inclusion, efficiency, and people-centred service delivery across the Province.

## Futures Thinking and Evidence-Informed Decision-Making

Under the Futures Thinking and Evidence-Informed Decision-Making enabler, the DotP is advancing several strategic flagship initiatives that are transforming how the WCG uses data, foresight, and innovation to inform policy and service delivery. These initiatives aim to build an interconnected data ecosystem and strengthen the Province's capacity for evidence-based governance, ensuring that decision-making is forward-looking, coherent, and impactful across departments.

The WCG Artificial Intelligence (AI) Strategy and Futures of Government initiative represent key flagships that position the WCG as a leader in leveraging emerging technologies and foresight for improved governance. The Governance Policy Framework for Artificial Intelligence marks a milestone in the WCG's commitment to harnessing the benefits of AI technologies while ensuring the governance of data and the responsible, ethical, and transparent deployment of AI. Complementing this, the Futures of Government programme applies strategic foresight and scenario planning to anticipate long-term trends, enabling the WCG to proactively shape responses to future social, economic, and environmental challenges.

Another core flagship is the Interconnected Data Ecosystem, which focuses on creating an integrated and interoperable system for data governance, multidimensional tracking, and analytics. This initiative supports the Provincial Data Office (PDO) and the rollout of a Data Governance Policy Framework, enabling coherent data use, standardisation, and sharing across departments. Through this ecosystem, the Department strengthens the availability, quality, and use of evidence for policy and planning, ensuring that data-driven insights underpin decisions at both strategic and operational levels.

The Multi-dimensional Tracking initiative aims to cultivate a measurement culture shift and centralise access to performance master data, thereby enhancing accountability and promoting evidence-informed decision-making. DSD is a partner in this initiative. Performance is evidenced through foundational work, including completing one population research project and six demographic profile projects in 2024/25, which are crucial for informing policy. Over the 2026 MTEF period DSD will continue to partner and implement this initiative to ensure use of reliable data for evidence-informed policy, program design, and resource allocation. The value for money aspect is realised by ensuring DSD uses reliable demographic and performance data to inform policy development, programme design, and resource allocation, thereby maximising the impact of interventions.

The WCG has developed a fiscal futures tool to support long-term planning for expenditure and revenue by projecting the province's fiscal outlook over the next decade. The tool brings together historical and forward-looking budget data and uses national and provincial fiscal models to produce 10-year revenue and expenditure projections, allowing for scenario analysis and assessment of policy choices to address future funding gaps. Because the WCG is highly dependent on national transfers, which have been declining in real terms, the model helps assess how different national economic and fiscal conditions may affect the Provincial Equitable Share. It incorporates risks such as high public debt, low growth, support to state-owned enterprises, household transfers and reserve requirements, and allows analysts to test optimistic, baseline or customised scenarios. Using a top-down method, the Provincial Fiscal Futures Model estimates the Western Cape's share of the national provincial equitable share. The model was applied to the 2026 MTEF period and beyond in Chapter 3, and its outputs and insights are detailed therein.

## Ease of Doing Government

As part of its mandate to strengthen financial governance and promote value for money spending, the PT is leading the implementation of the eProcurement Solution (ePS), a flagship reform aimed at transforming the Western Cape Government's procurement landscape through technology-driven innovation and enhanced transparency.

The ePS is modernising the supply chain management system through full digitisation of the end-to-end procurement process, from planning to payment. This reform improves supplier experience, reduces red tape, and enhances compliance and data accuracy. By enabling data-driven procurement, the system provides better oversight of expenditure patterns and supplier performance, allowing the WCG to optimise spending, increase value for money, and extend the reach and quality of services delivered to residents.

The WCG's 2024/25 Public Disclosure Report highlights a significant milestone in advancing inclusive economic participation, with 34.6 per cent of total provincial procurement spend, valued at R6.84 billion, directed to women-owned businesses. This achievement not only surpasses National Treasury's 30 per cent benchmark for the first time but is also believed to be the first verified instance globally of a national or sub-national government reaching this threshold without relying on set-asides or mandatory subcontracting. Complementing this milestone, the Province also recorded 57.1 per cent of procurement spend to black-owned enterprises, 25.3 per cent to SMMEs, and 6 per cent to youth-owned businesses, again without prescriptive procurement mechanisms.

Under the Ease of Doing Government enabler, the DotP is spearheading several flagship initiatives aimed at simplifying administrative processes, enhancing efficiency, and strengthening governance within the WCG. These projects are central to improving internal productivity, reducing red tape, and ensuring that government operations are agile, transparent, and responsive to the needs of both departments and residents.

One of the key innovations is the "Stupid Rule Button", a digital mechanism that enables officials to identify and flag redundant or outdated processes, policies, and regulations that hinder efficiency. This initiative promotes a culture of continuous improvement by encouraging employees to surface operational bottlenecks and propose streamlined alternatives, thereby reducing process duplication and turnaround times across departments.

Complementing this is the Inventory to Digitisation Project, which focuses on reviewing regulatory frameworks and identifying opportunities for automation and digital process enhancement. By modernising workflows and transitioning from paper-based to digital systems, the project supports more consistent, reliable, and user-friendly service delivery.

Another strategic initiative, the Shared Data and Exchange Platform (MyGov/MyPortal), facilitates secure and interoperable data sharing across departments and spheres of government. This platform reduces administrative duplication, enhances information accuracy, and enables faster, data-informed decision-making. It directly supports the Department's mandate to improve coordination and governance integration across the WCG, ensuring that residents experience government as a unified, efficient system.

Additionally, the Department continues to drive excellence through its Corporate Assurance and Legal Services functions, which anchor good governance and compliance. The Corporate Governance Framework ensures proactive, evidence-based assurance and oversight, while the

Legal Services strengthens legally sound decision-making through high-quality, pre-litigation advice and constitutional compliance monitoring.

Under the Ease of Doing Government enabler, the DEA&DP is spearheading the development of the automation of a platform for consolidation EIA processes to address inefficiencies and integration challenges across multiple application platforms that is currently leading to administrative delays, and to address aspects of lack of coordination, increased economic costs, and frustration among clients and investors.

As part of the Ease of Doing Government enabler, the DLG plays a pivotal role in strengthening cooperative governance, enhancing institutional stability, and ensuring that municipalities operate efficiently and responsively to meet the needs of communities across the Western Cape.

DLG has developed a comprehensive Governance Support Strategy to strengthen continuity, stability, and service delivery within municipalities. Building on lessons from previous cycles of municipal leadership transitions, the strategy focuses on supporting municipalities to manage changes in political and administrative leadership, maintain institutional stability, and ensure full compliance with legislative and governance requirements. Key interventions include assisting municipalities with the amendment of establishment notices to reflect ward boundary changes, conducting safety and risk assessments, and facilitating district framework reviews to ensure alignment across integrated development planning processes. In partnership with relevant national departments, the Department is also coordinating identity document collection drives and civic education initiatives to promote inclusive community participation.

As part of strengthening governance continuity, the Department will deploy senior officials to support municipalities during the convening of council meetings, the establishment of governance structures, and the implementation of statutory procedures. A dedicated Local Government Helpdesk will continue to provide real-time advisory support on legislative, governance, and procedural matters, while targeted training and mentoring programmes will be implemented to enhance ethical leadership and informed decision-making across councils.

To deepen participatory democracy and strengthen community trust, DLG will continue to support the establishment and functionality of ward committees, update public participation frameworks, and implement the "Know Your Ward Committee" campaign. These interventions are further supported by cross-government coordination through the Provincial Operational and Joint Command Centre to manage governance-related risks and ensure readiness for any humanitarian or disaster management responses. Collectively, these initiatives position the Department as a key enabler of stable, accountable, and responsive municipalities across the Western Cape.

DLG plays a central role in promoting accountable, stable, and sustainable municipalities. Through the Local Governance programme, the Department provides regulatory oversight, monitors governance performance, supports compliant senior management appointments, strengthens Municipal Public Accounts Committees (MPACs), and enhances public participation mechanisms. These functions are complemented by targeted capacity-building, performance reporting, and oversight processes that reinforce ethical decision-making and professional administration.

## Impact of the Innovation, Culture & Governance (IC&G) Portfolio

The IC&G Portfolio supports the Western Cape Government's goal of becoming a people-focused, agile, digitally enabled, and high-performing organisation. It strengthens innovation, governance, and organisational culture to ensure that internal operations and service-delivery systems are future-fit, efficient, and trusted.

The Portfolio is driven by five enablers, Integration & Collaboration, Ease of Doing Government, Culture & People-Centred Delivery, Futures Thinking & Evidence-Informed Decision-Making, and Innovation. These focus areas advance digital transformation, data governance, intergovernmental alignment, organisational culture, and alternative financing. Progress varies across enablers and is shaped by fiscal constraints, regulatory dependencies, and capacity challenges.

Reimagined in 2024 to align with the 2025 – 2030 Provincial Strategic Plan, the Portfolio builds on a strong history of IC&G-related reforms, but its current configuration is still in an early phase of implementation. For 2025/26, the IC&G Portfolio is prioritising a set of flagship interventions. While not exhaustive, these interventions illustrate improvements in institutional capability within a challenging fiscal and administrative environment and signal the WCG's ongoing transition toward a more innovative, responsive, and trusted government.

Enabler / Indicator	Where We Started (Baseline)	Where We Are Now (Early Outcomes)	Where We Are Going (Targets)
Value for money, focusing on <b>Municipal Shared Services</b>	Fragmented shared services; outdated models; ineffectiveness of duplicated functions and services.	Governance and support framework in place; development of a municipal shared services framework; districts identifying opportunities.	Districts implementing agreed shared services in line with the approved framework with the aim of improving efficiencies and strengthening capability.
Investment in the municipal infrastructure, focusing on <b>Sustainable Infrastructure Development &amp; Financial Facility (SIDAFF)</b>	Declining investment; limited alternative financing; ageing infrastructure.	PMU established; stronger project pipeline; increased investor interest.	More bankable projects; attract private capital; improved service delivery through infrastructure development.
Credible IDPs, Strategic alignment of National, Provincial, Local Government priorities through Collaborative <b>Integrated Planning, Budgeting &amp; Development</b>	Fragmented, compliance-driven planning.	Integrated data workspaces and improved alignment platforms. Development of and Five Year Integrated Work Plan inclusive of an Annual Implementation Plan.	Effective integration of planning, budgeting, and implementation horizontally across provincial departments and vertically amongst the spheres of government in line with the approved Integrated Workplan.
Process efficiency and effectiveness through the <b>digital transformation of procurement</b>	Multiple SCM systems; inconsistent, manual processes.	Integration blueprint developed; alignment toward single e-SCM platform.	Fully integrated, end-to-end digital procurement with transparency and SMME access.
Process efficiency and effectiveness through the <b>automation of EIAs</b>	Manual systems; standalone databases; limited tracking.	Prototype architecture developed, alignment with NEAS underway.	Integrated, spatialised platform improving turnaround times, and reducing red tape.
Employee engagement levels and WCG values reflected in service delivery ( <b>WCG Culture Journey</b> )	Uneven engagement with WCG values throughout the organisation.	Employee survey underway; behavioural indicators being finalised.	Higher engagement, improved trust, lower vacancy and turnover, and improved work-life balance.
Service delivery improvement and uptake of digital skills through <b>eKiosks</b>	Manual processes; long travel distances; low digital access.	Digital hubs emerging; frontline staff empowered; improved online access.	Expanded hubs; higher digital literacy, and greater resident service satisfaction.
Rand value of financing and funding obtained from non-traditional sources through the <b>Alternative &amp; Blended Finance</b> Programme	New initiative; no baseline.	ABF pipeline developed; staff training initiated.	Access to international grant funding and financing mechanisms.
Number of innovations in development and number of innovations scaled, focusing on the <b>Innovation for Impact</b> programme	Innovation not embedded; participation focused.	Insights drawn from the Barrett Survey; balancing innovation against governance compliance and audit risks; Recognition of innovation as a cultural value.	System-wide innovation ecosystem with scalable improvements.
Level of availability of evidence informing WCG policy imperatives	Limited integration of data and evidence.	Innovative evidence methods for central visualisation of evidence.	Coherence in use and production of data published for decision-making according to a five (5) level scale.
<b>Level of data governance maturity</b> across the WCG priority areas	Level 3 maturity [defined and structured].	Transversal data governance policies, frameworks and practices. Next level data governance maturity assessment creating an enabling environment for policymakers, data users and producers.	Increased data governance maturity for data as a strategic asset within a coherent data ecosystem.
Use of ethical, responsible AI, focusing on <b>WCG AI Strategy</b>	Ethical, responsible AI policies developed; differentiated pace of adoption among departments.	AI strategy co-development underway; expanding engagements.	Ethical, responsible use of AI for low-risk administrative tasks; gradual AI adoption to more strategic areas.

Source: Budget Policy Portfolio Engagement, Innovation, Culture and Governance

The outcome indicators and targets presented are indicative and may be refined further as the PSIP is finalised.

## ■ Conclusion

In a period of economic constraint and structural reform, the Western Cape Government's budget policy priorities for the 2026 MTEF are aligned to the 2025 – 2030 PSP's long-term vision of a province where every resident can progress and thrive. Guided by the 2025 - 2030 PSP's Life Course and Systems Approach, the focus shifts from government-centric planning to resident-centred, outcome-driven delivery, connecting programmes, avoiding duplication, and targeting service gaps through four transversal portfolios: G4J, Safety, EHACS, and IC&G.

Over the medium term, the Province will balance fiscal sustainability with protecting frontline services and investing in the foundations of long-term prosperity. This means enabling inclusive growth through investment, innovation and sustainable infrastructure via G4J; building safer and more cohesive communities by deepening violence prevention, strengthening partnerships and improving community infrastructure; strengthening education, healthcare and social protection through the EHACS portfolio and its projects; and embedding innovation, transparency, digital transformation and accountability through the IC&G portfolio and its projects to lift delivery capability across government.

Crucially, a sharper value for money discipline strengthens the line of sight between impact, outcomes, outputs and budgets, supported by Theory of Change thinking and credible evidence to reprioritise resources toward interventions with the greatest impact, so that limited funds translate into measurable improvements in economic opportunity, safety, wellbeing, dignity and governance across the Western Cape.

# Glossary

<b>2030 Agenda for Sustainable Development</b>	This Agenda is a 15-year plan of action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere.
<b>Alternative and Blended Finance</b>	Alternative and Blended Finance refers to financing approaches that complement the conventional budget by combining public funds with private, development finance and philanthropic capital. In this context, ABF is used to crowd in non-fiscal resources, share risk, and finance catalytic projects and programmes that cannot be funded from the fiscus alone.
<b>Africa Union Agenda 2063</b>	The continent's strategic framework that aims to deliver on its goal for inclusive and sustainable development.
<b>Adjustments Budget/Estimates</b>	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.
<b>After School Programmes</b>	The academic, sports, life skills, and arts and culture programmes delivered to learners after school.
<b>Agri-processing</b>	The sub-sector of the manufacturing that beneficiates primary materials and intermediate goods from agricultural, fisheries and forestry-based sectors.
<b>Area-Based Teams</b>	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.
<b>RMB/BER's Consumer Confidence Survey</b>	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.
<b>Blended Finance</b>	Blended finance is the strategic use of development finance for the mobilisation of additional commercial finance towards certain goals.
<b>Budget Facility for Infrastructure</b>	A reform to the budget process that establishes specialised structures, procedures and criteria for committing fiscal resources to public infrastructure spending.
<b>Budget Deficit</b>	Budget deficit occurs when money going out (spending) exceeds money coming in (revenue) during a defined period.
<b>Business Confidence</b>	An economic indicator that measures the level of optimism that businesses have in an economy.

<b>Citizen-centric Culture</b>	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>Demographic-fiscal lag</b>	Demographic-fiscal lag refers to the delay between demographic changes—such as rapid population growth, migration or shifts in service-using populations—and their full reflection in allocation formulas and budgets. During this lag, demand for services can grow faster than the funding received, undermining the principle of equitable resourcing.
<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>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>Government of National Unity</b>	A Government of National Unity is a coalition that comprises the majority of political parties and interests represented in the legislature.
<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>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>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.

**Infrastructure Fund**

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.

**Innovation for Impact Strategic Framework**

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.

**Joint District and Metro Approach**

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.

**Labour Force**

The labour force is the total number of people within a given population who are currently employed plus the number of people who are unemployed and actively seeking work

**Labour Productivity**

Labour productivity is a measure of economic performance that compares the amount of output with the amount of labor used to produce that output.

**Loadshedding**

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.

**Narrow Unemployment**

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.

**Non-interest Expenditure**

Total expenditure by government less debt-service costs.

**Not Economically Active**

Those in the age category 15 to 65 years who are not available for work. This category includes full-time scholars and students, full-time homemakers, those who are retired, and those who are unable or unwilling to work.

**Medium Term Budget Policy Statement**

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 Development Plan</b>	The Medium Term Development Plan (MTDP) is the South African government's five-year strategic implementation plan, succeeding the Medium Term Strategic Framework. It serves as the principal framework for advancing the NDP 2030 over a medium-term horizon. The MTDP outlines prioritised interventions, resource allocations, and performance indicators aimed at fostering integrated and cohesive government action to achieve developmental goals.
<b>Medium Term Expenditure Framework</b>	The three-year spending plans of national and provincial governments published at the time of the Budget.
<b>Mid-year Population Estimate</b>	The mid-year estimates are an estimate of the population as of 30 June in a given year
<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>Primary Surplus</b>	A primary surplus is when revenue exceeds non-interest expenditure
<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>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>Rollover</b>	Rollover is a remedial action that involves retaining funds committed to projects within a Provincial Revenue Fund for the purpose of carrying them over to the next financial year

<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>Targeted and Responsible Savings</b>	TARS is a fiscal consolidation approach that systematically identifies lower-priority or lower-impact spending, reduces such expenditure, and redirects the savings to protect core services, stabilise the fiscus and create fiscal space for higher-priority investments.
<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>Tax Buoyancy</b>	Tax buoyancy measures how tax revenue changes in response to changes in national income and tax compliance.
<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>Uniform Patient Fee Schedule</b>	The Uniform Patient Fee Schedule (UPFS) is a national schedule of standard fees for services provided in public health facilities. Provinces use the UPFS to bill medical schemes, the Road Accident Fund and self-paying patients, and as a basis for structuring hospital revenue from patient fees.
<b>Western Cape Fiscal Futures (WCFF) model</b>	The WCFF is a long-term fiscal modelling tool used by the Western Cape Government to project revenue, expenditure and the financial position of the Province under different macroeconomic and policy scenarios. It produces rolling multi-year scenarios that help assess fiscal sustainability, identify risks and test policy options, thereby informing the MTBPS and medium-term fiscal strategy.
<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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