



State of the 2022/23 Capital Investment Budget in eThekweni Municipality

1. Introduction

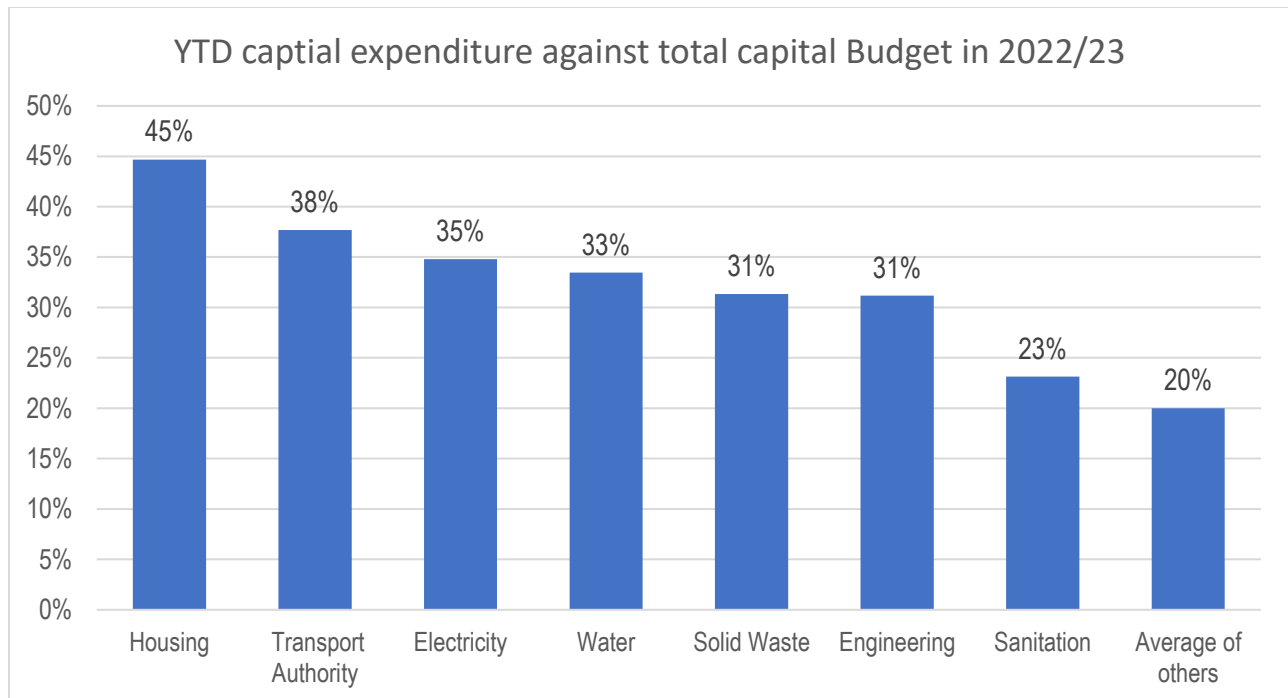
This report presents the current performance of eThekweni's capital budget and expenditure for the 2022/23 financial year. The report encompasses the expenditure between July 2022 and February 2023 and provides estimated economic impact results arising from the revised capital budget on Durban's economy.

2. State of the capital budget

eThekweni municipality has revised its 2022/23 capital budget, resulting in an increase from the initial R5.6 billion to R6.1 billion. This upward adjustment represents a 9%, largely driven by the need to repair infrastructure damaged by the recent floods. The municipality has allocated a 48% increase in funding towards the reconstruction of the water infrastructure, a significant boost from the original budget. Additionally, there has been a 35% increase in funding for health and social services, an 18% increase in sanitation, and an 8% increase in housing. These changes have been implemented to ensure that critical areas receive necessary repairs and upgrades, thereby improving the quality of life for eThekweni residents. The increased budget reflects the municipality's commitment to sustainable and equitable development in the region, demonstrating its dedication to long-term growth and prosperity.

It is worth noting that the City's capital budget increase is equivalent to 1.7% of Durban's GDP. The City of Durban has already spent R2.1 billion of its 2022/23 budget, which amounts to 35% of the adjusted budget. The departments of housing, solid waste, engineering, electricity, and transport authority have all made progress in accelerating their spending on the capital budget through infrastructure repairs or upgrades, with each having already spent one-third of their allocated budget.

Figure 1: Capital expenditure against the capital budget

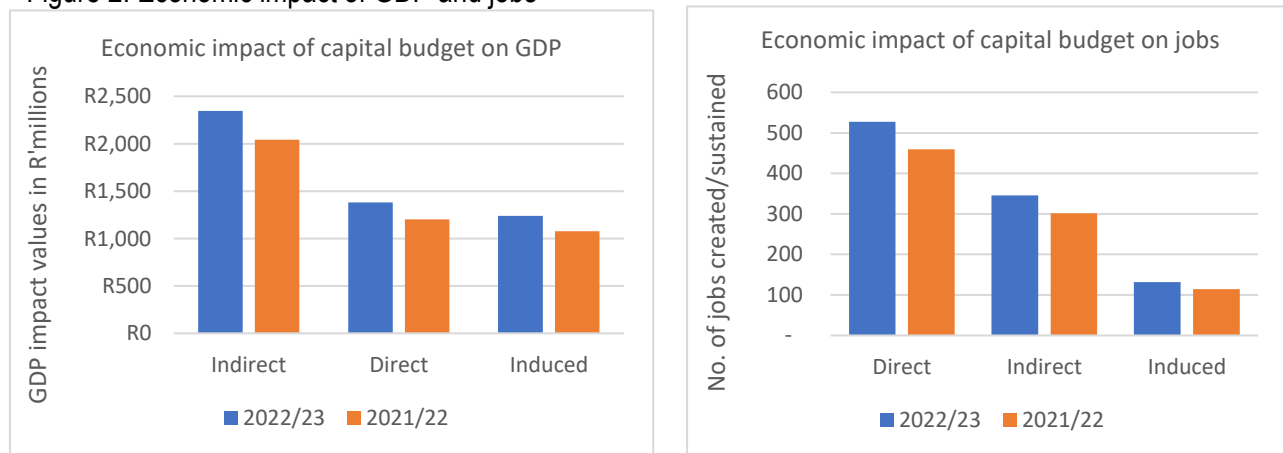


Source: The Durban EDGE, 2023

3. The economic impact of the capital budget on Durban's economy

The capital budget for the 2022/23 financial year has seen an increase of approximately R1.0 billion compared to the previous year, with a total of R6.1 billion allocated, up from R5.3 billion in 2021/22. As a result of this modest increase, modelling undertaken by the Policy, Strategy, Innovation & Research (PSIR) Department shows that the anticipated impact on GDP is forecasted to rise by 15%, from R4.3 billion in 2021/22 to R5.0 billion in 2022/23, which accounts for 1.1% of the annual GDP. Additionally, the projected impact on employment is also forecasted to increase, with a rise from 875 jobs in 2021/22 to 1,004 jobs in 2022/23. This represents 0.8% of the average annual StatsSA labor force survey.

Figure 2: Economic impact of GDP and jobs



Source: The Durban EDGE, 2023

4. Conclusion

The City's capital budget underwent a 15% increase from the previous fiscal year, with 48% of the boost designated for repairing and enhancing water infrastructure. Despite the progress in 2022/23, the City is still lagging behind major Cities such as Johannesburg and Cape Town. It is expected that the GDP will be positively impacted by R5.0 billion in the 2022/23 fiscal year, compared to the previous fiscal year. Additionally, the workforce is predicted to grow by 130 jobs in the 2022/23 fiscal year

5. Infrastructure requirement funding initiatives

To address infrastructure demands and secure external funding, the City is actively engaged in private-public partnerships. The City has drafted a "Development Charges Policy¹" as a long-term strategy to augment the capital budget and infrastructure reserves. The City of Cape Town officially adopted the Development Charges Policy in 2016, resulting in a sustained rise in the capital budget. Remarkably, during the COVID-19 pandemic in 2020, Cape Town was the only city that did not encounter a decline in its capital budget.

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¹ The desired outcome of the Development Charges policy is to:

- a) recover the portion of the capital cost of economic infrastructure that is attributable to particular developments; and
- b) enable the provision of economic infrastructure in a timely and sufficient manner to support land development.
- c) provide economic infrastructure in the most cost effective manner taking into consideration scarce resources and effective urban form